Austria Sch.18	Indonesia Rp 2500	Portugal Esc 60
Bahrain Din 0.650	Italy L 1700	S. Arabia Rs 5.00
Belgium BFr 38	Japan Y650	Singapore S$ 4.10
Canada C$ 1.00	Jordan Fils 500	Spain Pta 100
Cyprus Mils 600	Kuwait Fils 500	Sri Lanka Rup 30
Denmark DKr 7.25	Lebanon L£ 6.00	Sweden SKr 6.50
Egypt E£ 1.00	Luxembourg LFr 38	Switzerland SFr 2.00
Finland Fmk 6.50	Malaysia Rgt 4.25	Taiwan NT$ 45
France Fr 6.00	Mexico Pes 300	Tunisia Din 0.600
Germany DM 2.20	Morocco Dh 6.00	Turkey L 180
Greece Dr 60	Netherlands Fl 2.50	U.A.E. Dh 6.50
Hong Kong HK$ 12	Norway NKr 6.00	U.S.A. $1.50
India Rup 15	Philippines Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,412 Monday September 3 1984 D 8523 B

Asean crosses swords with Japan, Page 3

NEWS SUMMARY

GENERAL

Fluorine level in shipwreck 'not high'

France said that no abnormally high level of fluorine had been found in or around the Mont Louis, the cargo vessel that sank off the Belgian coast with 30 containers of uranium hexafluoride.

Latest analyses of water around and inside the hold showed fluorine amounting to only 0.67 parts per million, less than usual in the English Channel, the Sea Ministry said.

Paris also confirmed that the 30 containers were secured on trailers and that some had moved during the wreck. Nevertheless, all analyses had proved that "the shipwreck caused no leaks." Earlier story, Page 2

Opposition leader

Constantine Mitsotakis, 66, an MP for Crete and former Economy and Foreign Minister, was elected leader of the Greek conservative New Democracy Party, replacing Evangelos Averoff, who resigned last week.

Campaign starts

The U.S. presidential election campaign officially begins today. One poll put President Ronald Reagan 23 points ahead. Page 12

Hong Kong progress

Britain and China are set to initial a joint declaration in Peking this month on terms for the 1997 handover of Hong Kong, but talks continue on differences such as aircraft landing rights. Page 12

Hijackers stay

The two hijackers of an Iranian airliner on the way from Shiraz to Tehran last week are believed to have been granted political asylum in Iraq.

S. Korean floods

Landslides and floods caused by torrential rain killed at least 59 people, injured 49 and made 30,000 homeless in South Korea at the weekend, according to relief officials.

Honecker silent

East German leader Erich Honecker, who appeared briefly at the opening of the Leipzig Trade Fair, remained silent over whether he would go ahead with a visit to West Germany this month. Page 2

Gang warfare

Seven people were shot dead and 20 injured in a gang war between more than 100 motorcyclists outside a tavern in Sydney, Australia.

Canadian poll

Canada's Conservatives, in opposition for 20 of the past 21 years, seem destined for a resounding victory in tomorrow's general election, according to opinion polls.

Berlin 'violations'

A Soviet commentator said West Berlin might become a front-line city in a new Cold War because of consistent violations by West German politicians of the four-power agreement on the city's status, signed 13 years ago today.

40,000 Sikhs meet

More than 40,000 Sikhs defied a government ban to gather in Amritsar and warned the Indian army to withdraw from the Golden Temple there this month. Page 2

Argentine strike

Argentina's Peronist opposition is backing a 24-hour general strike today aimed at forcing changes in President Raúl Alfonsín's economic policy.

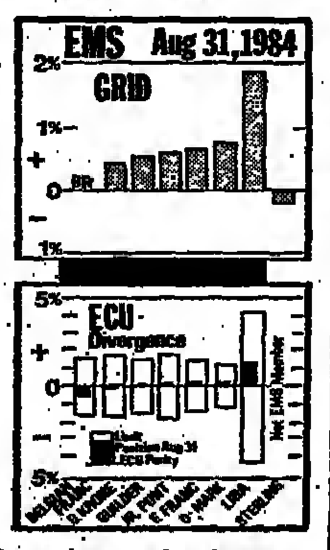
BUSINESS

Japanese halve oil liftings from Iran

JAPANESE liftings of Iranian crude oil have dropped to 200,000 barrels a day from 500,000 b/d in the three months to July, because of Iran's tough attitude on price, according to oil traders in Bahrain. Page 2

UK GOVERNMENT will not reschedule its official loans to Mexico yet, in spite of an agreement by British banks to grant Mexico more generous repayment terms. Page 12; Sober Mexican assessment, Page 2; International Capital Markets, Page 13

CURRENCIES traded quietly within the European Monetary System last week. There appeared to be few new factors in the market as attention once again focused on the dollar. That finished firmer on the week, underpinned by high U.S. interest rates. The Belgian franc was the weakest member, followed by the Danish krone. Despite losing ground against the dollar, the D-mark remained the strongest currency, bound by the 2¼ per cent limit, with the lira heading the system. Currencies, Page 24



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

TOKYO: The Nikkei-Dow market average advanced 36.40 to close at 1,062.60 in moderately active trading in Saturday's half-day session. The Tokyo Stock Exchange index was unchanged at 816.69. Chief prices, Page 18

TEXTILE exporters from the Third World will protest to the U.S. over restrictions on imports, at Gatt talks, which open in Geneva tomorrow. Page 12

LAURENCE PRUST, London stockbroker, is discussing links with Banque Nationale de Paris, Europe's biggest bank. Page 12

U.S. MULTINATIONALS won the first round of their battle to stop reform of California's tax laws, which they say would benefit their foreign competitors. Page 3

ISRAEL'S foreign-currency reserves fell by $192m to $2.4bn in August, well below the estimated $3bn considered necessary to cover three months' imports of basic commodities. Page 2

GENERAL ELECTRIC, U.S. aero-engine manufacturer, showed its advanced propeller-fan jet engine for the first time at the Farnborough international air show. Page 4

TAIWAN approved an $18m emergency loan for Eddie Steamship, which owns the world's largest fleet of bulk carriers. The funds cover wages and fuel. Page 14

Production difficulties in London may have resulted in typographical errors in unit trusts, some advertisements and elsewhere in today's edition.

British unions set to support striking miners

BY OUR LABOUR STAFF IN LONDON AND BRIGHTON

SUPPORT for the British miners' strike is certain to be approved today at the annual conference of the Trades Union Congress (TUC), despite opposition from some of the unions most affected.

The conference opens today in Brighton and up to 10,000 miners are expected to demonstrate. Three thousand police will be on duty.

Congress will debate a TUC statement of "total support" for the six-month-old strike. The statement calls on unions to bar the carriage of coal, coke and other fuels across picket lines, but makes the support conditional on agreement with the unions concerned.

Mr Arthur Scargill, president of the National Union of Mineworkers (NUM) – who has called for a mass picket today of every coalmine and depot – yesterday hailed the statement as "a very positive declaration of support for making the dispute more effective." However, Mr Frank Chapple, leader of the electricians' union, denounced the statement.

"The miners have been outrageous in their behaviour right from the start," he said. "They do not deserve any support and they will not get it from the power stations."

Mr Chapple also described as "an outrage" the failure of the TUC and Mr Len Murray, its general secretary, to condemn violence by strikers on the picket lines.

His comments demolish any hope that the Congress might present a united front on the dispute. The Iron and Steel Confederation is also opposed to recognising miners' picket lines because of the threat to steelworkers' jobs.

The union is to ballot its 3,000 members at British Steel, who would be most affected by a ban on fuel supplies, to ask what support they are prepared to give. Mr Bill Sirs, the union's general secretary, described the implications of the embargo as "the closure of the steel industry."

Mr Murray, who ended speculation about the date of his retirement as general secretary by announcing that be would leave office on Friday, claimed that the TUC's statement of support had increased the TUC's credibility. It demonstrated the unions' ability to secure agreement between themselves and showed members how important were the issues in the dispute.

Mr Murray denied that the statement was aimed merely at "buying peace" at Congress. "The important thing is that the TUC is involved," he said.

Mr David Basnett, general secretary of the General, Municipal and Boilermakers' Union, who helped draft the statement, said he would discuss, with the NUM and the other electricity supply unions, ways to implement the statement "to bring maximum pressure to bear on the Government and the National Coal Board to get back to the negotiating table."

Three opinion polls published yesterday showed that a minority of British trade unionists – who number 10m – support the miners' strike. One poll, by Mori, showed that support for the miners had fallen to about 30 per cent of the public, with 46 per cent supporting the National Coal Board. Among trade

Continued on Page 12

Editorial comment, Page 10

Unilever joins Brooke Bond battle with £355m offer

BY STEFAN WAGSTYL IN LONDON

UNILEVER, one of Europe's largest companies, yesterday offered £355m ($465m) in cash for Brooke Bond, the British tea and foods group.

The Anglo-Dutch group's bid tops the £324m offer from UK sugar refiner Tate & Lyle, which has been fiercely resisted by the Brooke Bond board and almost ignored by its shareholders.

There was no immediate reaction to the new offer from Brooke Bond last night but it was likely to be rejected as too low. The bid values Brooke Bond at 114p a share – little more than Friday's closing price of 110p.

Unilever, a conglomerate with interests in food, detergents and toiletries, disclosed that it already held 4.8 per cent of Brooke Bond.

The chairman, Mr Kenneth Durham, spelt out the reasons for the bid, pointing to "the successful record" of Unilever's existing tea business, particularly that of Thomas J. Lipton, which is strong in the U.S. but has a very small presence in the UK.

"We have been for some time looking for ways to extend our tea operations, particularly into the UK," Mr Durham said.

Mr Durham said Unilever had been watching the progress of Tate and Lyle's bid, made at the end of July and extended for a further three weeks last Friday after it had won minimal support from shareholders.

Unilever approached Brooke Bond last week and "constructive" talks were held, Mr Durham said.

Unilever has reserved the right to withdraw if its bid is referred to Britain's Monopolies and Mergers Commission, but it seemed last night that although the two companies were the world's two largest tea groups, the only main country in which they were substantial competitors was India.

Unilever, which employs about 270,000 in about 75 countries, last year made pre-tax profits of £769m on sales of £13.4bn, with the largest contributions coming from Europe, including the UK and North America.

The company recently announced first-half profits of £441m for 1984, up from £381m.

The group has not made a big acquisition for many years and has been attempting to shake off a reputation for rather sluggish growth.

It has a similar marketing policy to that of Brooke Bond and maintains brands supported by often heavy advertising expenditure.

Unilever would clearly be able to fit Brooke Bond into its vast operations and has forecast current-year profits of £70m. It is a far larger organisation than Brooke Bond which last year made pre-tax profits of £48m.

Unilever is also large enough to outbid Tate and Lyle, offer of cash and shares values Brooke Bond at 98p each, or below the market price. Tate is rather smaller than Brooke Bond in market capitalisation and last year made pre-tax profits of £57m.

Bundesbank opposes new issue of SDRs

By Jonathan Carr in Frankfurt

THE WEST GERMAN Bundesbank has come out firmly against a new issue of Special Drawing Rights (SDRs) by the International Monetary Fund (IMF), which holds its annual meeting in Washington this month.

Herr Karl Otto Pöhl, president of the independent central bank, told journalists the only reason for a new allocation of SDRs would be a "global need" for more liquidity, and no such need existed.

Dr Gerhard Stoltenberg, Bonn Finance Minister, told a press conference last week that he did not know whether a new issue of SDRs – the IMF's reserve asset – could be agreed at the Washington gathering.

Herr Pöhl, however, was more trenchant, emphasising that in Germany it would be the Bundesbank that would have to accept more SDRs against delivery of D-Marks if it were to come to a new allocation.

Third World countries have long been calling for a further handout of liquidity through a new issue of SDRs. France has supported the call, arguing that a new SDR allocation would help to hold down the buoyant dollar by taking pressure off demand for the U.S. currency.

However, with the Bundesbank's opposition firmly on record, and with the U.S. also known to be in opposition, it is felt most unlikely that accord on a new issue could be reached at the meeting.

The West German central bank is opposed not only because it has already made financial commitments to the IMF totalling about DM 32bn ($11.1bn), for Germany's IMF quota subscription and various credit lines.

It also fears that the present ap-

Continued on Page 12

Bundesbank firm on rates, Page 2

Fabius faces union challenge over job cuts

BY PAUL BETTS IN PARIS

M LAURENT FABIUS, the French prime minister, faces his first big challenge from the trade unions this week, as the industrial conflicts over the large-scale redundancies at the Citroën car company and the bankrupt Creusot-Loire engineering group come to a head.

The Communist-led CGT union has called a rally today to protest against some brief but violent incidents at Citroën's large plant at Aulnay-sous-Bois on the outskirts of Paris on Friday.

The mounting union pressure will be a test both for M Fabius, who on Wednesday will be making his first important appearance on national television since his appointment last July, and for his Socialist Government's resolve to main a tough approach to industrial restructuring.

The CGT has so far responded relatively timidly to Citroën's decision to make 1,950 workers redundant with the Government's approval, but it is blaming M Fabius directly for the incidents at the Aulnay plant.

The tight security precautions around the factory last week to ensure that it reopened calmly after the summer closure caused growing friction among workers. Aulnay, with a large proportion of North African immigrant workers, has traditionally had difficult labour relations.

Many objected to the management decision to make them enter through grilled cages erected at side entrances where they have to show their identity papers. The unions have called this procedure "barbaric," and M Akka Ghazi, the Moroccan militant CGT leader at Aulnay, insisted that he be allowed in by the main gates and not through the "rat cages," as the workers call the special grills.

This led to a clash in which M Ghazi, who led the worker occupation of the plant last spring, was injured by a policeman and had to be taken to hospital.

The incident sparked angry protests from the unions and had heightened the tension at the plant. At the same time, there are fears that the incident and the "rat cages" could encourage the leadership of the CGT to adopt a more militant posture against the Government.

After the departure of the Communists from the coalition Government this summer – a move favoured by the CGT – the labour union had been widely expected to intensify its opposition to lay-offs and unpopular restructurings.

The union has preferred to play a waiting game because of doubts on the reaction of its rank and file.

The Citroën redundancies could act as the main catalyst for labour unrest. In addition to the rally called today by the CGT the unions are also organising a protest march at Le Creusot in Burgundy against the latest rescue plans for Creusot-Loire.

Details of a takeover of the main assets of Creusot-Loire by an industrial consortium led by Fives-Lille, the French engineering group, were announced on Friday. These include 2,500 redundancies, and the CGT is due to have talks with the industry ministry on the salvage plan on Wednesday.

New move in EEC talks on Portugal and Spain

By Quentin Peel in Brussels

FOREIGN ministers of Spain and Portugal meet their EEC counterparts today in an attempt to revive the flagging negotiations for their proposed entry into the European Community by January 1986.

The talks have become bogged down in recent months on a range of issues particularly affecting Spain. The issues included the dismantling of industrial tariffs, allowing wider access for the Spanish fishing fleet in EEC waters, and the prevention of overproduction of wine and olive oil.

A special meeting of the EEC Foreign Ministers' Council today will be devoted entirely to the enlargement negotiations, in an effort to meet the deadline for agreement. That has been fixed for the end of the year, to allow formal accession in 1986.

Although European and national officials have worked overtime through the August holiday period trying to resolve the outstanding questions, there is little optimism in Brussels that agreement can be reached on the real issues.

On the questions of wine and olive oil, already produced in unregulated surplus by France, Italy and Greece, the 10 EEC member states have yet to agree on any common position to present to the Spanish and Portuguese.

On the timetables for transition to EEC regulations for industrial and agricultural products, Spain has sought to link cuts in its own industrial tariffs to similar cuts in EEC barriers to Spanish agricultural produce, particularly citrus fruit. So far, the Community has refused to contemplate such a linkage.

The question of negotiating fishing access for the powerful Spanish fleet appears equally deadlocked, with the European Commission suggesting that the number of Spanish boats will have to be halved over a period of time.

Greater hope exists for progress in the negotiations with Portugal, with a declaration expected on agricultural products, and others possible on social affairs, access to the European customs union, and imports from outside Europe, particularly Japan.

One outstanding difficulty yet to be overcome with Portugal concerns imports of cane sugar to Portuguese refineries, mostly from Swaziland, Zimbabwe, Malawi and the Ivory Coast. The Lisbon Government, supported by Britain, estimates its needs at around 300,000 tonnes.

Kraftwerk Union nears nuclear plant supply deal with China

BY ANDREW WHITLEY IN RIO DE JANEIRO

KRAFTWERK UNION (KWU), the West German nuclear engineering subsidiary of Siemens, is at an advanced stage of negotiations with China for the supply of two 1,000 MW nuclear plants, costing between DM 6bn ($2.09bn) and DM 7bn, for which Brazil would probably provide some of the components.

A Chinese technical mission headed by Ling Zong Tang, vice-president of the State Economic Commission, is in South America to study the working of the West German company's existing technology transfer agreement with Brazil and China.

However, any triangular nuclear pact between West Germany, China and Brazil may run into strong opposition from Washington. Neither Brazil nor China are signatories to the nuclear non-proliferation treaty and both countries have, in the past, fallen foul of U.S. attempts to control their nuclear programmes.

Last month, Brazil and China signed a broad-ranging nuclear co-operation agreement, providing, among other aspects, for assistance in nuclear design and construction.

The accord, signed during a visit to Brasilia by Wu Xueqian, the Chinese Foreign Minister, coincided with the blocking by the U.S. Congress of a draft nuclear co-operation agreement between the U.S. and China.

Negotiations between KWU and Peking for the construction of the two nuclear power stations, planned for the Shanghai area, have dragged on since 1978. However, the West German company hopes for a final decision this year, possibly after Chancellor Helmut Kohl's planned visit to China next month.

Herr Wolfgang Breyer of KWU said in Rio de Janeiro last week that the Chinese mission was on a fact-finding visit, to study differing forms of technology transfer, so as to determine their own policy on national production and imports.

He said that if KWU won the Chinese orders, it would probably place contracts with Nuclebras, the Brazilian state nuclear authority, for the manufacture of certain reactor components. They might include pressure vessels, steam generators and pressurisers.

Nuclep, the heavy components subsidiary of Nuclebras, in a technical association with KWU and Gutehoffnungshütte (GHH) of West Germany and Voest Alpine of Austria, has provided components for the Brazilian and Argentine nuclear programmes. It is in urgent need of fresh orders.

Apart from components, Brazil could also offer China services such as the engineering design of KWU-type pressurised water reactor and the fabrication of fuel elements. In the medium term, it would be well placed to share the advanced technology of the jet-nozzle fuel enrichment technique being developed jointly in Brazil and West Germany.

Brazil and West Germany signed a wide-ranging nuclear co-operation agreement in 1975, envisaging the construction of eight 1,300 MW power stations at an estimated cost today of over $18bn. The technology transfer aspects of the accord have gone smoothly, but there have been repeated hold-ups in the construction programme because of budget cuts.

CONTENTS

OVERSEAS NEWS

Japanese reduce oil liftings because Iran refuses discounts

BY KATHY EVANS IN DUBAI AND MARY FRINGS IN BAHRAIN

OIL TRADERS in Bahrain say Japanese liftings of Iranian crude, which were running at 500,000 barrels a day in May, June and July, have since dropped to 200,000 b/d because of Iran's tough attitude on price.

They say they cannot afford to fulfil their long term contracts without discounts, despite the pressure put on Japan at diplomatic level last month when its ambassador in Tehran was summoned to meet Iran's deputy oil minister.

The Japanese have refused to take their liftings for August and September in the face of Iranian insistence on charging the official price for their oil. Buyers believe however that discounts could emerge for October liftings.

Meanwhile, there is confusion among Gulf shipping circles over the question of whether Iran's main oil terminal at Kharg Island is fully open to tanker traffic.

Local news reports over the weekend in the region indicated that following strikes by Iraqi aircraft, the Iranian authorities had been forced to close the terminal until September 10.

The confusion centres around which facility has been damaged. Kharg Island consists of three main areas—one a man-made island, which can handle tankers up to 500,000 tonnes, the main T-shaped jetty jutting out into the sea which can accept both VLCCs and smaller vessels, and a third onshore facility.

Some shipping officials believe that it was the sea island which was damaged in the June 24 air raid by the Iraqis which hit a tanker named Alexander the Great. The island has been closed to shipping ever since, say the shipping officials.

But oil industry sources in Dubai indicate that following the attack on the tanker, leaking oil from the Alexander the Great continued to burn at sea. When the tide changed, the burning oil drifted back towards the terminal, setting alight an ammunition dump on the terminal deck.

The subsequent explosion has caused damages estimated between $200m to $400m, said a Dubai oil industry source. The explosion has also reportedly damaged the terminal's control tower capability of measuring the quantity of oil being pumped into tankers.

The National Iranian Oil Company has vigorously denied that Kharg Island is closed to traffic, saying that routine maintenance repairs were under way. Gulf shipping circles add that only two publicised tanker fixtures for Kharg Island are a small 50,000 tonne tanker, the Rover Star which is due there in a few days, and another on September 10 which is for a 250,000 tonne vessel. The tanker has still to be nominated.

Two senior Nigerian leaders suspended

By a Correspondent in Lagos

TWO OF the most senior Nigerian traditional rulers, Alhaji Ado Bayero, the Emir of Kano, and Oba (chief) Okunade Sijuwade, the Oni of Ife, have been suspended from their offices for six months following their visits last month to Israel.

The suspensions were announced simultaneously last Friday by the military authorities in the northern Kano and western Oyo states. The two rulers have been confined to their domains and their passports have been withdrawn until further notice.

The action by the military authorities is their most serious confrontation with the traditional rulers since the military coup in January which brought the administration of General Muhammadu Buhari to power.

The Emir of Kano is one of the most respected northern rulers and a leader of Nigeria's Muslims, while the Oni of Ife holds the senior kingship among the Yoruba people of West Nigeria.

Both men's un 'orised visits to Israel have embarrassed the Nigerian Government; Nigeria severed diplomatic relations with Israel 11 years ago at the time of the 1973 Israeli-Arab war.

The two rulers had talks with Mr Yitzhak Shamir, the Israeli prime minister, and other Israeli officials, giving rise to speculation that Nigeria might renew its ties with Israel.

Dr Ibrahim Gambari, the Nigerian external affairs minister, had earlier condemned the rulers' visit and denied that Nigeria intended to renew its diplomatic links with Israel.

Some members of the Organisation of African Unity, including Zaire and Egypt, a participant in the 1973 war, have resumed official links with Israel, but the Nigerian Government has maintained that Israel's association with South Africa prevented such a move by Nigeria.

Sikhs pledge to liberate temple

BY K. K. SHARMA IN AMRITSAR

OVER 40,000 Sikhs yesterday endorsed their five high priests' decision that if the Indian Government did not withdraw the army from the Golden Temple in the holy city of Amritsar by September 30, they would "liberate" it. A march led by the high priests is planned for October 1. The world Sikh convention was held yesterday in Amritsar amid tight security despite a Government ban.

According to Giani Kartar Singh, high priest of the Akal Takht, the seat of temporal power of the Sikhs, the convention was held because the Sikh religion "is now in grave peril" as a result of the Government's policy and action. He particularly condemned the decision to have the Akal Takht, which was nearly destroyed in the army action last June, repaired by Baba Santa Singh of the Sikh-Nihang warrior sect.

The Baba has been excommunicated from the Sikh religion (he does not recognise the excommunication) and yesterday the convention declared that India's President, Mr Zail Singh, who is a Sikh, had committed a grave religious offence by visiting the Golden Temple in the shade of an umbrella after the army action.

The decision to go ahead with the convention in defiance of a Government ban showed the Sikhs' anxious to retrieve ground their political party, the Akali Dal, lost after the army operation in June. The Government cracked down on Akali leaders in the past week, and over 1,000 of the remaining third and fourth-rung leaders still at liberty were taken into custody.

Held in pouring rain despite the lack of effective leadership, the gathering vividly demonstrated the Sikhs' determination. Their anti-government slogans included "Khalistan Zindabad" (long live the Sikhs' independent homeland) and "long live Sant Bhindranwale," the extremist leader killed in the action in the Golden Temple.

There was no mention of a Government offer made on Saturday for talks with the Sikhs provided they agreed to renounce secession, ceased to use their temples for political purposes and did not import arms into the temples. The offer was made just before the convention.

The convention also adopted a resolution opposing the government's move to change the management of the Sikh "Gurudwaras" (Sikh temples), calling it a "conspiracy to control the Sikh shrines" and "an attack on the constitutional rights of the Sikhs."

U.S. doubts Moscow is ready for arms talks

By Reginald Dale, U.S. Editor, in Washington

THE REAGAN Administration said yesterday it would welcome the weekend statement on U.S.-Soviet relations by Mr Konstantin Chernenko, the Soviet leader, if it meant the Soviet Union was now interested in re-opening super-power disarmament negotiations or talks on other topics.

In an interview with Pravda on Saturday, Mr Chernenko was quoted as saying that an agreement with the U.S. on banning weapons in outer space would ease the way for limiting and reducing other strategic weapons.

The interview was published as speculation continued, both in Moscow and Washington, over the health of Mr Chernenko, 72, who has not been seen in public since mid-July.

State Department officials seemed to doubt, however, that Moscow was ready to return to the bargaining table. Washington believes there is now little chance that talks on space weapons, first proposed by the Soviet Union for this month in Vienna, will take place.

In his Pravda interview, Mr Chernenko said the U.S. had failed to give a positive response to its Vienna invitation, issued at the end of June.

Washington has said it is prepared to attend the talks to discuss procedures for further negotiations on space weapons, but it also wants to raise the stalled strategic nuclear arms negotiations at the same time.

The State Department said yesterday thet, in continuing to reject the U.S. response, Moscow was "refusing to take Yest for an answer." It dismissed the other attacks on U.S. policy contained in the Pravda interview as "familiar and false."

The next high-level contact between the two super-powers is due to take place in New York towards the end of this month, when Mr Andrei Gromyko, the Soviet Foreign Minister, makes his annual visit to the United Nations General Assembly.

The State Department has said that Mr Gromyko will meet Mr George Shultz, U.S. Secretary of State, in New York. But there has been no official confirmation of speculation that Mr Gromyko might fly to Washington for talks with President Ronald Reagan.

Mr Gromyko is widely thought in Washington to be the most powerful of the group of leaders now governing the Soviet Union.

Over 200,000 see Rama Rao pray for success

BY JOHN ELLIOTT IN TIRUPATI NEAR MADRAS

A FAMOUS Hindu temple near Madras, widely regarded by the rich and famous in India as a propitious place to pray for success, has been visited by Mr N. T. Rama Rao, a former film star and the deposed Chief Minister of Andhra Pradesh.

Tired and ailing after a heart operation and two weeks' frenetic politicking, Mr Rama Rao visited a temple of Lord Venkateswara at Tirupati, after drawing crowds of over 200,000 to a procession and meeting.

The rich give huge gifts, usually money, to the temple, to back up the effectiveness of their prayers.

About Rupees 200,000 (nearly £14,000) is collected every day, rising to Rupees 700,000 (nearly £50,000) on January 1, when many businessmen make a pilgrimage for success in the coming year.

Yesterday, as Mr Rama Rao continued his six-day political tour aimed at regaining power as Chief Minister of Andhra, pilgrims had their heads shaved, and washed in a holy pond, then broke coconuts before completing their pilgrimage.

Typically in a poor country, where money buys power and privilege, the richer pilgrims jumped a two-hour queue by buying a Rupee 25 (£1.60) ticket for immediate entry to the inner temple.

The pilgrims paraded past a large padlocked safe, the size of a small room, where the patched on alternate days to the State Bank of India and the Andhra Pradesh Bank.

In an inner part of the temple they jostled and chanted past a golden chair, where a statue of Lord Venkateswara is placed each morning, for a recital by priests of the day's takings and important events.

Finally, the pilgrims pass through the centre of the temple and outside to celebrate Hundi—the giving of offerings, usually money, but sometimes jewellery or other items.

The donations, which from an individual businessman can sometimes top £600,000, are used to build accommodation at the temple and to construct marriage halls in the local state, as well as temples abroad in the U.S. and Europe.

The amount left by Mr Rama Rao is not known. But his visit was in keeping with his image since entering politics two years ago. He always wears saffron robes to show he is committed religiously, and has become a vegetarian.

As a former film star who played Hindu gods, he is now being criticised by his political opponents as behaving when Chief Minister as though he were a god himself.

Hundreds of thousands of people have behaved in the past week as if they, too, almost believe it, during his series of processions and meetings.

He leads evenimfg processions siting cross-legged on top of a pre-war green Chevrolet, spot-lighted when it gets dark. On Thursday in Tirupati the procession lasted nearly two hours.

India is a country crazy about films, and the crowds came to see the former film star. But in doing so they were also boosting the image of India's only political figure apart from Mrs Gandhi, the Prime Minister—who has such charisma and crowd-pulling potential.

His supporters in Southern India talk of him as a future Prime Minister, or even as a Presidential candidate, if Mrs Gandhi were to change the political system and have a directly-elected President.

Until he was deposed and became the centre of a national political controversy, such ideas would have been ridiculed in North India.

Bnt now, unless his health fails, be is a serious potential opponent for Mrs Gandhi and for her son and potential beir, Rajiv.

Libyans turned back from pilgrimage to Mecca

BY RICHARD JOHNS IN TRIPOLI

TWO CHARTER flights carrying Libyans on the annual pilgrimage to Mecca were turned back by Saudi Arabian authorities from Jeddah just over three weeks ago with all their passengers, according to diplomats here.

The decision was taken after air hostesses on the Eagle Air flights in question had reported that there were weapons aboard.

There are also unsubstantiated reports circulating here that Saudi Arabia refused to allow Libyans to disembark from a seagoing vessel.

The diplomats believe that the hitherto unreported incident accounts for one strange passage in Colonel Muammer Gadaffi's speech before the massive military parade here on Saturday marking the 15th anniversary of his coup which toppled the monarchy.

Col Gadaffi said that he had been informed by King Hassan of Morocco, King Fahd of Saudi Arabia and Syria, that Libyan "revolutionary" forces wanted to take to the streets of Mecca and control the holy Mosque of Mecca.

He called upon Libyans making the Hajj (pilgrimage) to behave themselves and respect Saudi policy.

His appeal to them is regarded as a conciliatory gesture towards Saudi Arabia with which his regime has been trying to improve relations.

Col Gadaffi also claims that Libya has been helping the Sandanista Government in Nicaragua in its fight against guerrillas supported by the U.S. Central Intelligence Agency. The admission — if it is based on fact — would be the first confirmation of allegations levelled against Libya by President Ronald Reagan's Administration.

Israel currency reserve decline

By David Lennon in Tel Aviv

ISRAEL'S FOREIGN currency reserves, which caused major concern here when they dropped dramatically in July, continued to decline during August, the Bank of Israel announced yesterday.

The fall last month was US$192m and total reserves are now put at US$2.4bn, well below the US$3bn considered the minimum level needed to cover three months' imports of basic commodities.

Last month, it was revealed that the end of July figure had been artificially boosted by $325m by a change in the accounting methods. This paper exercise was not repeated at the end of August, according to Mr Israel Igra, of the Central Bank.

The Bank of Israel attributed much of the August fall to the beginning of repayment of loans taken from the U.S. 10 years ago to cover the cost of the 1973 Arab-Israel war.

Officials at the Central Bank and in the Treasury said that the cure for the continuing fall could come only with a comprehensive new economic policy based on a sharp reduction in the budget and in the standard of living.

Bundesbank likely to hold key interest rates

BY JONATHAN CARR IN FRANKFURT

THE WEST German Bundesbank sees no reason to increase its key interest rates to try to attract an inflow of funds from abroad, despite the continued strength of the U.S. dollar against the D-Mark.

Herr Karl Otto Poehl, the central bank's President, made clear he expected West Germany's economic recovery to continue, with a low inflation rate and a current account surplus.

As a result of these positive "fundamentals," he expected the D-Mark to stay an attractive proposition for investors—even with a level of interest rates more than 5 per cent below dollar rates.

Herr Poehl and other senior Bundesbank officials were speaking amid speculation that the central bank might feel forced to increase discount and perhaps lombar rates to help stem capital outflows.

Latest published statistics show that after a net inflow of long-term capital in the first quarter of this year, there was a net outflow in the second quarter.

The outflow was particularly high in June at DM 5bn (£1.2bn) raising some fears that the trend of the long-term capital account was to ever-greater deficit.

But Dr Helmut Schlesinger, Bundesbank Vice-President, said tha net outflow had fallen to around DM 3bn in July and there were signs of further improvement in August.

Moreover, although the country's current account surplus had been only DM 1.3bn in January-July (compared with DM 3.4bn in the same period of 1983), a marked improvement was expected in the last few months of the year.

Herr Poehl eaid he could not understand the economic pessimism voiced in some quarters because, despite the impact of the metalworking and printing strikes in the spring, "it was not supported by the evidence."

He noted that exports were booming—up by 12 per cent in January-July. This was partly due to the strength of demsnd in the U.S. and to West German price competitiveness because of the bunyant dollar.

Herr Poehl also stressed that competitiveness of West German industry had itself improved, thanks not least to stabilised costs.

Moderate wage increases, state budget consolidation and a watchful money supply policy had all contributed to an inflation rate which in August was below 2 per cent (at an annual rate) for the first time in 16 years.

On other topics, Herr Poehl said he expected the Bonn Cabinet would this month agree on removal of the "coupon tax"—the withholding tax which foreigners face when they buy West German domestic bonds.

"Anything else would be a big disappointment for the markets," said Herr Poehl.

Four Britons still detained face 'serious charges'

BY RICHARD JOHNS

THE FOUR Britons still detained in Libya outside the normal judicial system, following the release and return to the UK yesterday of Mr Douglas Levingham, and Mr George Bush, face "serious charges," according to senior Libyan officials in Tripoli.

The threat to them emphasises rather than disguises the anxiety of the Libyan regime to recover and normalise diplomatic relations broken off in April after the killing of British policewoman at the embassy siege at St James's Square earlier that month.

At the same time, Mr Ali Houderi, a member of the General People's Committee for Internal Affairs, repeated that the Libyan Government expected something in return for the "unconditional" release of two freed men who boarded a flight from Tripoli to London yesterday morning.

He told British reporters: "The ball is in your court. It is up to you." He was making a clear reference to Libya's demand for the return of five of its nationals awaiting trial in the UK in connection with bomb explosions in London and Manchester in March.

Tension will only be slightly eased by the granting of a British visa to a Libyan diplomat, Mr Maslam, who will represent his country in London at the Saudi Arabian Embassy which is looking after Libyan interests.

The Libyan authorities are well aware that the British Government will not stop proceedings against the five. If they are not acquitted, the Libyan Government seems uncertain how to improve relations without losing face by releasing the other four Britons. It seems that the deadlock can only make the prospects for the remaining detainees more bleak.

French dismiss fluorine fears

By Paul Betts in Paris

THE FRENCH Government has said that no abnormal level of fluorine had been found in the hold or around the Mont-Louis, the French cargo vessel which sank off the Belgian coast last week with 30 containers of uranium hexafluoride, a radio-active gas.

The French Maritime Ministry issued the statement after reports of an increase in the level of fluorine inside the hold of the ship. All analyses so far "made it possible to dismiss categorically any hypothesis of an abnormal level of fluorine," the Ministry declared.

Experts of the French Atomic Energy Agency had been reported by the Dutch salvage company to have found a concentration of 2.5 ppm (particles per million) of fluorine in the hold.

The Dutch salvage company said this level posed no danger. However, French nuclear experts had reported that the normal amount of fluorine concentration was 1.5 ppm.

Hijackers sent home

Seven Sikh militants who eight days ago hijacked an Indian Airlines aircraft to Dubai were yesterday sent to New Delhi to face trial after the U.S. turned down their appeal for political asylum, AP reports from Dubai.

Honecker delays pledge on visit

BY LESLIE COLITT IN BERLIN

EAST GERMANY'S President, Harr Erich Honecker, failed to commit himself yesterday on whether ha will make a planned visit to West Germany later this month.

The announcement of the visit was expected weeks ago and the delay was said to reflect continued Soviet opposition.

Herr Honecker visited a West German company stand at the Leipzig Fair yesterday, an opportunity he normally takes to comment on East-West German relations. This time, however, be left the stand after three minutes and refused to talk politics.

On Saturday, Pravda, the Soviet Communist Party newspaper, levelled one of its sharpest attacks against West Germany in weeks. The Bonn Government's "aim of reunification with East Germany" meant it was "dreaming of the liquidation of the Socialist German Democratic Republic," it claimed.

Soviet diplomats in East Berlin noted that a visit to Wesl Germany by Herr Honecker was not opportune at a tima when U.S. medium-range missiles ware being deployed in West Germany.

However, Neues Deutschland, Herr Honecker's party newspaper, said at the weekend that it was necessary to "strengthen peaceful co-existence" because of the worsening international situation.

"There is no sensible alternative. It is better to negotiate 10 times than to open fire once."

PAP, the Polish news agency, claimed that last week's news conference by Herr Helmut Kohl, West Germany's Chancellor, was not designed to make Herr Honecker's visit any easier or to hasten to a decision.

The agency noted that Herr Kohl bsd failed to mention such "basic questions" as the recognition of an East German citizenship and acceptance of the middle of the Elbe River as the border between East and West Germany.

Yesterday, Herr Kohl spoke at the annual "homeland" meeting of the league of expellees from the former German territories in Eastern Europe. The Chancellor called for a dialogue with all East European countries

Sober Mexico assessment

By David Gardner and Peter Montagnon in Mexico City

MEXICO HAS emerged from the worst of its economic crisis but should guard against any premature claims of victory, President Miguel da la Madrid warned in his annual state of the union address at the weekend.

In a deliberately sober appraisal of progress since Mexco's financial collapse, in 1982, Senior de la Madrid said that economic and social breakdown had been averted through realism and sacrifice, and that recovery had now begun.

Inflation, which rose to an annualised 117 per cent in April last year, was now running at 48 per cent, but remained a major obstacle to full recovery. Tha two-year austerity programme introduced at the beginning of Senor de la Madrid's mandate, had brought the budget deficit down from 18 per cent on GDP in 1982 to an expected 6 per cent this year.

After a record 4.7 per cent fall in GDP last year, national output was reviving. Industrial production in May was 7.2 per cent up on December 1983, but beavy rainfall suggested last year's 4.8 per cent growth in agricultural output could be consolidated.

The country's external accounts had been turned round and the $90bn debt burden was being lightened through successful renegotiation; at the end of last month, primary foreign exchange reserves, which had virtually disappeared two years ago, stood at $7.28bn.

Senor de la Madrid's review contained no significant announcement, not even, for example, of foreseeable success in debt rscheduling negotiations going on in New York.

There were other marked shifts in emphasis, in for example, the stress placed on agricultural development against a relatively cursory review of the oil industry, Mexico's major foreign exchange earner.

Polish leader attacks U.S. policy

BY CHRISTOPHER BOBINSKI IN WARSAW

Gen Wojciech Jaruzelski, Poland's military leader, strongly attacked the U.S. at the weekend for seeking to undermine the post-war political order in Europe and accused West Germany of leading "the military recolonisation of Western Europe by the Americans."

The charges came in the General's first major speech since last July's amnesty

The speech, marking the anniversary of the outbreak of World War II, was designed to stress that no concessions to Western human rights demands would be made—a point underscored by the re-arrest on Friday of two recently freed Solidarity leaders in Wroclaw.

"Poland is not a bumble supplicant and does not expect rewards for good behaviour, but the country does have a right to await compensation for the losses it bas suffered" the General said, referring to the cost of Western sanctions applied in response to martial law in 1982.

The two arrested men were Mr Wladyslaw Frasyniuk and Mr Jozef Pinior who were freed under the July amnesty. After their arrest they were almost imemdiately sentenced to two months' detention for taking part in a wreath-laying ceremony to market the fourth anniversary of the Gdansk accords which gave risa to Solidarity.

The summary detention by a local misdemeanors court is designed to serve as a warning to other amnesty prisoners

Car strike notice

The United Auto Workers Union said its members voted to authorise strikes against General Motors and Ford if union bargainers deem it necessary to obtain new national labour contracts, Renter reports from Detroit.

Paris steps up N. Africa efforts

BY PAUL BETTS IN PARIS

THE French Government continued to conduct intense and secretive diplomatic consultations throughout North Africa this weekend.

President Francois Mitterrand, who paid a surprise visit to King Hassan of Morocco on Thursday, flew back to Morocco on Friday night after a brief stop in Lisboo.

At the same time, M Clauda Cheysson, the French foreign minister, has been visiting Algeria aod Tunisia and M Charles Hernu, the defence minister, flew to Chad on Saturday.

No official explanation has so far been offered on the latest flurry of diplomatic activity in the Maghreb.

Presideot Mitterrand's second surprisa visit to King Hassan in barely 48 hours has led to speculation of a French effort to win on the Chad conflict, though some officials were suggesting M Mitterrand had decided to return to Morocco for a "weekend."

France appears worried on the possible repercussions of the union between the two North African states on the situation in Chad where 3,300 French troops have bean stationed for more than a year.

M Hernu, the French defence minister, bas said France would withdraw its troops from Chad immediately after Libya withdraws its forces supporting the Chad rebels from the north

Richard Johns adds from Tripoli: Col Gaddafi at the weekend pledged continned support to Mr Goukoni Oueddei, the former president of Chad, who sat at the Libyan leader's side during his major 15th anniversary speech.

Some 6,000-7,000 Libyan troops are currently supporting rabels owing allegiance to Mr Goukoni in the Aozou Strip where they face some 3,000 French troops helping to maintain the regime of Mr Hussein Habre.

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FINANCIAL TIMES SURVEY

REINSURANCE

Floods near Tucson, Arizona, last year. Much of the reinsurance business has flowed to London

'Get tough' policy pays

Re-insurance rates have strengthened with the elimination of surplus capacity built up during the industry's rapid growth. Indications as to future trends could emerge at the sector's annual convention in Monte Carlo this week.

BY JOHN MOORE

THE 2,000 or so reinsurance experts meeting in Monte Carlo this week for their most important convention of the year will be in a more optimistic mood than for some time.

After five years of uncertainty and a shakeout among reinsurance practitioners there are signs that the downward trend in this arcane business cycle has been reversed.

Last May the Mercantile and General Reinsurance Company, Britain's largest reinsurer, pronounced boldly: "We see grounds to hope that the worst may be behind us and that a recovery of world reinsurance markets may be under way."

A healthy reinsurance market is of some consequence to the wider insurance community. Although as an activity reinsurance was recently described as being so complicated it was hardly worth bothering to understand it, it operates on a simple concept.

Reinsurance provides two central facilities for insurance companies: it allows them to spread out individual risks that are too big for even the largest insurance company to handle; and it allows small companies to accepts more business than their own capital could safely support, which in turn stimulates the smaller companies' expansion.

As members of the public seek insurance protection, so insurance companies themselves often seek their own protection against large claims through the mechanism of reinsurance, laying off risks throughout the world.

While the origins of reinsurance are rooted in the 14th century it is only relatively recently that the industry has experienced boom conditions which have led to dramatic growth.

In 1965 reinsurance premiums amounted to $5.6bn. According to the Swiss Reinsurance Company, one of the world's largest reinsurance groups, total premiums retained by reinsurance companies for their own account amounted to $50bn in 1982.

Almost half of this premium volume is handled by about 3,000 direct insurance companies or concerns which, apart from their direct insurance activities, also carry out reinsurance business. An estimated $28bn is handled by over 350 professional reinsurance groups.

NET REINSURANCE PREMIUMS

Volume 1982* $bn	
UK (including Lloyd's)	7.5
West Germany	6.7
U.S.	5.5
Switzerland	3.5
France	1.6
Other markets	2.2
Total	28.0

* Professional reinsurance companies

Source: Swiss Reinsurance Company

By comparison, direct non-life premiums grew from $40.1bn to $267bn over the same period.

Before 1960 the reinsurance market was relatively small in terms of numbers of professional practitioners. These professionals were usually ultra-conservative when accepting risks and ensured that the business for which they were providing reinsurance cover proved profitable.

Advances in technology and the growing demands of industry, together with inflation produced risks of increasing value for the insurance companies which turned to the reinsurance community for extra protection.

More impetus to the growth of the reinsurance industry came when insurance capacity in the U.S. contracted dramatically in the early 1970s as falling stock market values bit into insurance companies' reserves.

The U.S. insurance industry sought extensive reinsurance protection outside its own market. The reinsurers provided a pool of capital which paid for the large claims of the direct insurers who would have otherwise have found their individual resources strained beyond their limits.

Much of the business flowed to London, which helped the UK to become one of the world's largest reinsurance centres. Professional reinsurance companies, and Lloyd's underwriters, in London now handle more than $7bn of reinsurance premiums.

Continental reinsurance groups, seeing the possibility provided by the U.S. insurance market for reinsurance business, started developing their own operations in the U.S. while established U.S. insurance groups developed their own reinsurance departments to meet the demand.

Other influences contributed to a capacity explosion in the reinsurance community. The unexpected level of demand and high interest rates encouraged other non-insurance interests to enter the field, for reinsurance offered the attraction of providing a two-way return for those who staked its operations.

The reinsurers earn premiums which, as long as claims do not exceed the premiums, will produce a profit. Moreover, the premiums can be invested, which produces more income.

In reality, as newcomers found out, it was difficult to make an underwriting profit and losses had to be covered by whatever investment income could be generated.

New competition came from others quarters. Industrial companies, seeking to reduce the cost of their insurance programmes, established their own "captive" insurance companies which insured the risks of the parent company.

INSURANCE PREMIUM VOLUME WORLDWIDE

	1982 ($bn) Non-life	Life	Total
North America	148.4	89.5	237.9
European Community	65.9	43.6	109.5
Rest of Europe	12.4	8.1	20.5
Japan	18.5	44.1	62.6
Oceania	6.0	3.3	9.3
Other countries	15.9	10.5	26.4
World total	267.1	199.1	466.2

Source: Swiss Reinsurance Company

Because the Internal Revenue Service ruled adversely that parent company premiums paid across to an in-house captive insurance company would be related to the amount of parent company insurance business for tax purposes, captive owners looked for ways to become more diversified insurance groups.

The unregulated reinsurance community provided the easiest way for captives to turn themselves into fully fledged risk-carrying subsidiaries.

In 1982 captive companies were handling $6bn of premiums and a large chunk of that was accounted for by reinsurance business. Two-thirds of the premiums were lodged in companies based in Bermuda to take advange of the low taxation exacted there.

With so much money washing around in the reinsurance market less scrupulous operators moved in. Participants new to the game saw reinsurance as little more than a glamorous banking operation, an access to an almost unlimited supply of capital at low cost.

Many of the newcomers describing themselves as reinsurers were operating no more than shell companies which took in money through a reinsurance contract, retained a tiny part of the risk, and reinsured the bulk of the business with other reinsurers.

Risks became atomised throughout the world—fragmented over and over again as international risk-carriers sought a slice of the business. Hundreds of reinsurers—in a sub-stratum behind the direct insurance companies—could be responsible for paying out parts of claims on any one risk.

While procedure, this ensures that no one insurer is exposed to claims which are too nmerous, other problems have been created.

There has been mounting concern within the industry about the underlying financial security that forms the basis of a reinsurance chain; and for years professionals have warned that major collapses have been imminent, which could put pressure on the entire insurance industry.

At the same time the underwriting results of the reinsurers have been deteriorating as competitive pressures mount. Too mainy reinsurance carriers have been chasing business volumes which were not growing at the same rate as the number of participants and the amount of reinsurance capital available.

Since 1978, when U.S. reinsurers were showing an average—and relatively healthy—ratio of claims to premiums and expenses of 99.5 per cent that steadily deteriorated to 116.4 per cent in 1983.

Between 1982 end 1983 the results deteriorated from e ratio of 111.6 per cent to 116.4 per cent, according to figures prepared by the Reinsurance Association of America.

Underwriting results elsewhere have been equally dire. In Bermuda the 1,200 captive companies, which seldom saw the best business offered, faced nightmarish problems.

The captives' limited underwriting skills and the poor quality of the business led to huge losses which forced the large parent companies to reconsider their insurance activities. There has been a dramatic withdrawal of capacity in the captive market.

Contraction

Mercantile and General says thet there is a significant end continuing contraction of reinsurance capacity and markets, in which the reinsurers themselves lay off their own risks, which has been in progress for nearly two years.

More emphasis is being placed by intermediaries and by purchasers of reinsurance on the security aspects of reinsurers and on their ability and willingness to perform under the contracts into which they have entered.

Established reinsurers have been turning away business if they are not satisfied with the terms in an effort to improve the underwriting results of the market. In the U.S., domestic reinsurers are trying to retain more of their business in their local markets rather than see reinsurance premiums exported to Europe. This in turn has put pressure on traditional markets in Europe, which are now trying to raise rates.

This time last year the mood in Monte Carlo was sober. The convention usually provides early indications of which way reinsurance rates are likely to go over the winter months, when contracts are renewed and other business is placed in the market.

Established reinsurers succeeded in persuading the delegates at last year's convention to "get tough" in the renewal season and rates in London and some other centres rose sharply for the first time in five years.

This week in Monte Carlo the reinsurers will be looking for ways to maintain thet recovery.

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REINSURANCE 2

Protection against the potentially catastrophic

Role of reinsurance

JOHN MOORE

THIS YEAR insurance underwriters faced a total payout of up to $300m through their involvement with communication satellite business. Damage to shipping in the Gulf area is estimated to have cost underwriters another $350m.

Insurance claims on property damage from Hurricane Alicia, last year, are expected to top $1bn. Liabilities arising from asbestosis are expected to cost industrial companies a total of $35bn in compensation plus a further $25bn in legal costs and the insurance claims will be enormous.

It might bave been e disastrous experience for the primary market. Although that market has been hit hard, the use of reinsurance has mitigated some of the worst effects.

Underwriters who paid up on the communications satellite failures had used extensive reinsurance programmes to protect themselves, in some cases laying off up to 100 per cent of their risks. Reinsurance cover is used widely as protection on risks which are regarded as potentially "catastrophic."

Reinsurance business is placed in the market using two basic methods—proportional reinsurance and non-proportional reinsurance. Under a proportional reinsurance the reinsurer accepts a fixed share of the liabilities assumed by the direct insurer under the original contract of insurance.

Under a proportional reinsurance contract the reinsurer bas to pay up only if the losses incurred by the primary insurer exceed some predetermined figure.

Non-proportional business bas gained in popularity in the past few years since it is designed to stablise the results of any risk carrier using reinsurance through reducing its exposure on any individual risk. A further advantage of non-proportional reinsurance is the saving in administrative time and expense in a reinsurer's operations.

In non-proportional arrangements excess of loss contracts and stop-loss reinsurance are used.

Under an excess of loss contract the reinsurer agrees to pay for losses above a fixed limit. The reinsurer will specify an upper limit on the amount he will pay, say up to £1m in excess of £500,000.

For example, a primary insurer may arrange three separate excess of loss arrangements for its motor insurance account through treaties. All types of reinsurance is arranged through treaties.

A treaty is an agreement between a company seeking reinsurance and one or more insurers in which the reinsurers undertake to reinsure business of a certain category for a set period. The reinsurer meets any claims under the contract during that period.

If the primary insurer finds a risk he wants to insure the reinsurer automatically gets a slice of the action without making any further effort by himself.

When a primary insurer arranges reinsurance for his motor insurance account he might organise it through three separate excess of loss treaties as in the table above.

REINSURANCE OF A MOTOR ACCOUNT

Retain for own account all losses from any one accident up to £10,000	Lower limit: Reinsurer assumes liability	Upper limit: To reinsurer's liability
(1) First excess of loss layer	£10,001	£25,000
(2) Second excess of loss layer	£25,001	£100,000
(3) Third excess of loss layer	£100,001	£500,000

Upper limit

In a stop loss reinsurance arrangement a company will be protected against its annual net loss experience on a particular underwriting account exceeding some tolerable figure. The reinsurer's liability is for losses exceeding in the aggregate either an agreed monetary amount or e fixed percentage of net premium income, subject to an npper limit.

Those seeking this type of protection might be required to retain for their own account a proportion, usually 10 per cent of the risk. So, for example, a stop loss reinsurance may cover 90 per cent of the net losses (after other reinsurance recoveries) incurred during the year in excess of 70 per cent of net retained premium income up to a further 40 per cent.

In this example the company would be protected in reinsurance up to 90 per cent of his account if it suffers a loss ratio of between 70 per cent and 110 per cent in any one year.

In proportional husiness the reinsurer can agree to pay a fixed sbare of say, 40 per cent, of any loss in exchange for 40 per cent of the direct insurer's premiums, after the deduction of a commission to compensate the primary insurer for expenses incurred for their mutual benefit. This is known as a quota share arrangement.

The other main form of proportional reinsurance is surplus reinsurance. This, like quota share schemes, accepts a certain share of a risk, receiving an equivalent proportion of the gross premium (less reinsurance commission) and paying the same portion of all claims. The basic difference between the two is that under surplus reinsurance arrangements the insurance company is only reinsuring the portion of any risk which exceeds the risk being carried hv the insurance company itself.

In this arrangement the re insurer will agree to pay a "surplus,' for example, equal to 10 times the primary insurer's retention of any risk. If the retention limit agreed is £200,000 and a £4m factory burns down, the reinsurer will pay £2m (10 times the retention).

The remaining £1.8m of the loss will have to be met by the primary insurer unless he has laid off the balance of the risk in the form of other reinsurances.

These main types of reinsurance all have strengths and weaknesses. On surplus lines business the primary insurer will retain for its own account the less hazardous business while passing over the heavier risks to the reinsurers.

Moreover, the reinsurer may acquire an imbalanced portfolio of husiness in this method. There is often a lack of information about the type of husiness which is being passed across to the reinsurer.

A quota share arrangement provides a safety net for underwriters to accept business safe in the knowledge that reinsurance is available automatically to contain losses. In turn the reinsurer receives a share of every risk to obtain a more balanced portfolio of business.

In this relationship identical Interests are forged between the reinsurer and the user of reinsurance since often insurer's premium rates are set only after reaching an agreement with the reinsurer.

The disadvantages for the user of this type of reinsurance is that he is unable to select which risks he would prerer to hold on his own account without reinsurance; and the arrangement does not smooth the experience of any underwriting account. The incidence of claims on the retained portfolio will be exactly the same as on the total portfolio.

In non-proportional lines of reinsurance business the reinsurer lacks the direct relationship with the primary company. This could work in the reinsurers' favour.

If the original business has been inadequately rated for the excess of loss the reinsurer has the freedom to quote rates for the reinsurance cover he provides on the basis of his own experience of such business.

Difficult to assess

Even so, premium rating in this area is difficult as the "catastrophe" nature of the busines carries enormous potential liabilities which are difficult to assess.

Twenty years ago the concept of reinsurance was relotively straightforward, although the practice might have been complex. Reinsurance involved a transfer of risk and a premium was based on an assessment of the risk transferred.

More recently it has become something of a hybrid. In some cases there may be a genuine transfer of risk, but the primary motivation for the transfer may be a transfer of profits between companies, perhaps to relocate companies in a more favourable taxation environment.

More questionable practices have grown up in the market as less scrupulous practitioners have attempted to take advantage of the large pool of cash available for non-insurance purposes in a largely unregulated environment. Reinsurance has become e more complex financial activity.

Yet there are signs that established reinsurers are attempting to bring order to their own markets by refusing to do business with the less responsible elements.

Steady growth helped by advance in savings

Life Assurance

ERIC SHORT

LIFE assurance in the UK goes from strength to strength, with the resulting life reassurence business in the UK also doing well in recent years.

Life reassurance, unlike its general reinsurance counterpart, still tends to operate on a parochial basis. Direct life husiness will be reassured locally rather than internationally, with very little broker involvement. Thus when life husiness is expanding, life reassurance is also buoyant. But the increases do not necessarily go in step.

New life business in the UK last year broke all records, thanks to the change to MIRAS, the new system of crediting tax relief on mortgage interest. This made repaying a mortgage by a life policy more attractive and many householders switched to this system of repayment. Thus traditional life business soared.

Low cover

However, life reassurance in the UK failed to benefit from MIRAS. The life cover under such mortgage repayment policy is comparatively low—too small to need reinsurance. Growth in life reinsurance last year came from the continued steady expansion of protection and savings business.

This year new life business in the UK was holding up well at the half-year stage, despite the Chancellor's ending LAPR (Life Assurance Premium Relief) in his Budget. This tax credit that was granted on regular premium life contracts had been an unbeatable sales aid for life assurance.

However, life reassurance companies in the UK feel that they will benefit from the loss of LAPR. Life intermediaries are now concentrating their efforts on selling investment plans to higher rate taxpayers and on selling protection contracts, particularly term contracts to the self-employed on which full tax relief is still available. All these types of business tend to have high levels of life cover and thus need reassurance facilities.

Indeed, the outlook for UK life business, and its consequent need for reassurance, seems set fair for the future. The major Swedish insurance group, Skandia, has recently expanded its UK operations into the life reassurance market. Though the existing reassurers complain of severe competition, they do not face the chronic overcapacity problems of general reinsurers.

Life reassurance companies have not only expanded their operations through writing bread-and-butter risk premium husiness; they have boosted their growth through their financial support of the smaller unit-linked life companies operating in the UK. This bas enabled such direct companies to grow far faster and with smaller capital resources than would bave been possible on their own.

This financial support is going to be essential for many smaller life companies this year wben they perform the end-year valuations under the new solvency margin requirements that came into operation in March of this year.

The UK Government adopted the strong solvency margins set out by the EEC, based on the practice in Europeans countries, despite intense opposition from the UK life assurance industry.

These solvency margin requirements are related more to the needs of ensuring the solvency needs of traditional life assurance with its high level of financial guarantees rather than to linked-life assurance, where the investor carries all the financial risk.

The new solvency requirements will mean simply extra administration chores for the traditional life companies. None of them is likely to have problems meeting the solvency requirements.

It is a different situation for linked-life companies, especially the smaller ones. The new solvency margin requirements will mean earmarking more capital and reserves just to fulfil the requirements; capital that will do nothing more than wash its face.

This situation has aroused considerable criticism and concern from the smaller linked life companies which have described the requirements as overkill. They are having to tie up capital that could be used for developing the business, without adding any further protection to investors.

Capital needs

Life reassurance companies bave beeo able to provide considerable help to their smaller company clients in two ways. First, they have used their expertise in advising on the implications of the solvency requirements and the capital needs to provide the necessary margins.

Secondly, the burdens can be eased but by no means removed by reassurance. Life reassurance companies not only provide the reassurance facilities but can advise on how to make the arrangement to maximum effect. This is likely to provide reassurers with a steady flow of business in the future.

The life reassurance companies themselves are affected to a large extent by the solvency margin requirements. They have been able to secure considerable concessions from the original requirements. Even so there is a considerable financial strain putting business on the books when the solvency margin needed is 1 per mille and the risk premium charged on reassurance is not much in excess of £1 per £1,000 cover.

Such requirements will not cause any financial embarrassments, since the reassurers are part of major financial groups but It is not an efficient use of capital.

This is just one particular aspect of e whole variety of financial advice given to client companies by reassurance groups. A small, newly established company bas to carefully control its rate of expansion. A more established company needs to constantly watch its tax position.

The reassurance company will advise and monitor the rate of expansion and the tax situation for its clients. It can then ease the burdens by taking the necessary reassurance of the business. Without these facilities, a new company would need more capital to cope with the new business strain, while an established company would be paying too much tax.

Reassurance companies are now expanding their services to client companies, becoming involved in the actual marketing of life and pensions business. In particular they are very much involved in the comparatively new field of direct mail marketing.

This form of marketing is quite common in the U.S., but has been completely neglected in the UK by all but a handful of life companies until e few years ago. Then Swiss Re (UK) saw that life companies were at last waking up to the importance and potential of this hitherto neglected selling area, but it lacked the expertise to deal with it professionally.

So Swiss Re (UK) set out to provide this expertise. It hired a U.S. consultant who was a skilled practitioner in this field and built a complete direct mail service to clients around his expertise.

Swiss Re will discuss strategy and objectives with clients, design the package for the mailshot tailored to the particular market and profit test the premium rates quoted by the life company. It operates on a joint venture basis with the client, seeking reinsurance business in return for the service.

Fowler proposals

Other reassurance groups in the UK are now following the lead of Swiss Re (UK) into these marketing areas.

Finally, the Government's personal pension proposals announced in July by the Social Services Secretary, Mr Norman Fowler, offer interesting prospects for reassurers operating in the UK.

Under these proposals, an employee taking ont a personal pension must provide an adequate widow's pension—the first instance of compulsory life assurance being imposed on individuals in the UK. But this raises certain problems if the employee concerned is in poor health.

Reassurance companies have considerable expertise in offering life cover to such individuals. They have been to the forefront in the progressive relaxation of underwriting standards, so that persons once regarded as uninsurable can now get life cover at reasonable premium rates. This experience can prove useful in dealing with this aspect of the personal pension proposals.

Bermuda's offshore business sector is painfully aware of the need to improve its reputation in the U.S.

Industry welcomes tougher policy

Captive companies

ROGER SCOTTON

BERMUDA's captiva insurance community heaved an almost audible sigh of relief in the last few weeks when the U.S. decided not to adopt a Senate proposal calling for a 3 per cent increase in the Federal excise tax levied on American premiums flowing to unapproved reinsurers outside the U.S.

The measure could have had disastrous consequences for Bermuda which, with about 900 captives and more than U.S.$6bn in annual gross premiums, is reckoned to attract more of this business than any other domicile in tha world.

The proposal, part of the U.S. Tax Reform Act, threatened to bring about much more than a mere drop in company profits. Some sources in Bermuda say it could have sparked an exodus of exasperated American-owned firms, whose insurance earnings have been barely able to withstand recent market pressures let alone cope with a 3 per cent hike in American fees.

Intervention

The fact that the proposal was shelved pending further study was attributable not only to the industry's own powerful lobbeying machinery but also to the island's government.

Bermuda premier John Swan made two private trips to Washington this summer to plead the island's case. His personal intervention underlines the importance Bermuda now attaches to the offshore business sector of its economy—a sector which, in terms of foreign exchange earnings, ranks second to tourism and is widely tipped to become its equal.

But the lobbyists' victory was far from complete.

Though Bermuda managed, at least for the time being, to wriggle off the hook on federal excise taxes, other proposals affecting captives and their ultimate profitability were included in the Act signed by President Reagan last mouth.

Of these, by far the most potentially damaging was a change in the tax treatment of income derived by U.S.-controlled foreign corporations from the insurance of non-U.S. risks.

Previously this income, unlike earnings from the insurance of U.S. risks, was generally not taxable until repatriated to the U.S. parent.

Under the new law, however, income earned by a captive performing insurance services for o related foreign risk will become currently taxable to any U.S. taxpayer owning a 10 per cent interest in an offshore captive. No deferral will be allowed.

The provision is expected to generate about $26m in new federal revenues between now and 1987.

Tax credits

Another aspect of the legislation worrying Bermuda-based captives relates to the use of foreign tax credits. Up until now, American companies have been able to channel U.S.-source income through their offshore insurance subsidiaries and use credits granted for the payment of foreign taxes to offset their U.S. tax liability.

The new law, in a provisiou likely to raise up to $300m in additional federal revenues over the next three years, puts an end to this arrangement for companies which are 50 par cent or more U.S.-owned. It provides that where U.S.-source income represents 10 per cent or more of gross premiums over a three year period, part of the company's payments or dividends to U.S. taxpayers will be attributed to U.S.-source income and will thus become taxable.

But Bermuda's captives—the companies which maintain a physical presence in Bermuda as well as those under the care of local management firms — have grown accustomed to being singled out for special treatment by the Internal Revenue Service. They are as adept at exploiting loopholes in U.S. tax lwas as U.S. tax authorities are at closing them.

Even so, captive insurance company executives, who are still digesting the implications of the new act, are quick to point out that taxation is not a major factor in the financial philosophy behind many captive formations in Bermuda.

Mr Stewart Grayston, president of the Bermuda Insurance Management Association (BIMA), says that significant cash flow benefits and easy access to reinsurance markets, particularly for difficult-to-place risks, remain among the key reasons why companies set up captives.

"Companies that are set up purely for tax reasons have tended to drift away as their tax situations alter," says the head of BIMA, whose 55 member companies manage about 85 per cent of tha captives registered in Bermuda. "The U.S. will continue to plug tax loopholes, there's nothing new in that."

What is still relatively new to Bermuda, though, is what has come to be known as the "post-Walton era." Tha term denotes the current state of the industry following the decision last year by Phillips Petroleum to pull its loss-making Bermuda captive, Walton Insurance, out of the reinsurance market.

The event is widely regarded as by far the biggest single setback to have hit Bermuda's captive industry in its 20-year history. It was exactly the kind of ammunition Bermuda's critics had been waiting for and demonstrated what they had long felt to be a lack of commitment on the part of non-insurance parent organisations.

"The Walton episode damaged Bermuda's reputation as an insurance centre more than it hurt the captive movement overall," says Mr Grayston. "It put us back to where we were about six years ago when some companies were just dabbling in insurance. These companies did not understand what it meant to be in the reinsurance industry, what it meant to find a broker unloading a bad piece of business and to be on the hook for 20 years when you wrote casualty business."

The BIMA chief argues that Bermuda's present captives are now here to stay.

He rejects the criticism that Bermuda gets only the business that nobody else wants as being out of date and an inaccurate description of a professional market which has coma of age.

Mr Grayston, along with other captive managers, feels Britain's oldest colony has come a long way since the days when visiting insurance executives thought twice about entrusting business to men who wore shorts to the office and whiled away their weekends on pink, palm-fringed beaches reading back issues of Lloyd's List.

As for "bad" business, he says there will always be someone willing to accept it.

"No amount of policing or legislation will change this. It's just something you have to learn to liva with."

Competition

Bermuda's strongest competitor for captiva business, according to the head of BIMA, is the Cayman Islands.

"The Caymans are trying as hard as hell to compete with us," he says. "It's trua that management fees are higher here, but we do provide more services in Bermuda and usually manage to attract better quality clients. I think we will see continued growth in captiva formations as long as relations between government and industry remain stable."

But the apparent harmony between the regulated and the regulators in Bermuda is showing signs of strain.

The government this year made clear for the first time that it is no longer prepared to tolerate abuses of its insurance legislation, particularly breaches of reporting requirements under which all insurers must file statutory financial returns with government within six months of their year-end.

The unprecedented crackdown, which has included threats to close offending companies, is the only significant government-industry rift to have emerged since the introduction of Bermuda's insurance act three years ago.

Yet the industry has broadly welcomed the get-tough policy. Indeed it regards such a stance as vital to a relatively young market which must be seen to be keeping its house in order if it wants to enjoy any kind of international standing.

Bermuda, perhaps because it has more to lose than other offshore captive domicles, is painfully aware of the need to cultivate the right kind of reputation overseas.

It would prefer not to have a repeat of the Walton withdrawal and could usefully do without the publicity of another Lloyd's of London enquiry, such as the recent probe of Bermuda-based Fideutia Marine Insurance company.

Some publicity, however, is unavoidable.

Mobil's current legal battle with the U.S. Government, for example, is expected to focus attention on the island for the next 12 months.

The oil major is suing for the refund of millions of dollars of taxes it has paid on premiums paid by 35 subsidiaries to four Mobil captives—one of them, Bluefield Insurance, is headquartered in Bermuda.

The U.S. goverment is maintaining, among other things, that insurance transactions between related companies do not constitute insurance for tax purposes and that Mobil should not be allowed to take tax deductions for premiums paid to wholly-owned captives.

A Claim's Court verdict, which will affect bundreds of American-owned captives in Bermnda, is expected in about a year.

Regardless of the outcome, tha island's sanguine insurance stalwarts say the Bermnda marketplace will survive intact in the same way that it has emerged from other U.S. ta. decisions—not entirely unscathed, perhaps, but considerably wiser about bow best to arrange its affairs.

LEADING U.S. REINSURANCE GROUPS-1983

Company	Policyholders' Surplus ($000) (Reinsurers only)	Net Reinsurance Premiums written 1982 ($000)	Net Reinsurance Premiums written 1983 ($000)	Net Reinsurance Premiums earned ($000)	($000) Losses & loss adj. expenses incurred	% Ratio of losses to net Reins. premiums earned	($000) Underwriting expenses	Ratio of Underwriting expenses to net Reins. premiums written %	Combined Ratio Percentage 1983 %	Combined Ratio Percentage 1982 %	Combined Ratio Percentage 1981 %
American Agr. Ins. Co.	63,380	70,077	79,127	73,795	67,896	92.0	11,649	14.7	106.7	101.5	97.2
American Ind. Re.	27,465	60,064	72,024	67,377	50,789	75.4	24,623	34.2	109.6	112.8	102.9
American Re.	301,478	368,684	379,160	376,510	293,224	77.9	140,338	37.0	114.9	113.8	114.2
American Union of NY	34,502	43,559	47,880	46,446	36,862	79.4	15,076	31.5	110.9	110.3	105.9
Buffalo Re.	84,434	62,929	61,316	62,316	49,850	80.0	20,734	33.9	113.9	104.7	104.6
Christiania General	23,581	42,683	48,796	41,163	30,589	74.3	15,334	31.4	105.7	115.9	106.3
Commercial Union Re.	41,230	31,031	20,600	23,803	23,372	98.2	7,711	37.4	135.6	130.3	105.8
Constellation Re.	38,450	73,058	81,134	84,518	67,241	79.6	28,061	34.6	114.2	108.5	109.5
Constitution Re.	53,943	130,155	122,805	132,078	103,278	78.2	98,934	91.7	109.9	117.2	108.9
Constitution State Mgt. Co.		57,897	58,593	56,284	49,418	87.9	18,002	30.7	118.5	118.4	106.0
Continental Gas Co.		55,142	43,170	40,413	29,806	73.9	20,475	47.4	121.2	103.5	101.2
Continental Re. Corpn.	85,173	44,256	97,218	84,593	67,450	79.8	31,768	36.4	116.2	109.9	128.3
Employers Re.	428,711	466,352	472,319	487,375	391,133	80.3	142,367	30.1	110.4	106.9	104.2
First Horizon Ins. Co.	20,658	21,294	23,713	23,608	22,829	96.7	4,956	20.9	117.6	110.9	103.9
Fremont Re. Co.	46,685	68,791	95,637	66,820	60,925	81.2	18,944	28.9	120.1	112.9	114.6
Genl. Ins. of Trieste & Venice	18,282	27,085	30,999	30,539	25,876	84.7	10,311	33.3	118.0	108.5	105.7
General Re. Group	817,951	830,499	902,072	962,879	652,703	75.5	284,829	31.8	107.1	101.8	99.1
Gerling Global	37,070	48,209	52,037	53,249	45,307	85.1	15,959	30.7	115.8	112.1	108.7
Grinnell Mutual Re.		27,823	27,918	27,685	22,799	82.3	4,427	15.9	98.2	97.1	105.3
Ina Re.	142,393	293,959	251,520	228,651	180,721	79.0	97,821	38.9	117.9	109.4	103.9
Kemper Re.	125,752	133,378	153,448	152,006	125,256	82.4	37,840	24.7	107.1	106.9	105.6
Mercantile and General	27,172	20,960	27,775	25,976	22,703	97.4	9,434	34.0	121.4	109.8	109.8
Metropolitan Re.	46,409	47,558	48,413	47,524	46,350	97.5	17,019	35.2	132.7	123.0	107.7
Munich Re. Group	120,272	208,160	202,546	200,145	164,743	82.3	71,625	35.4	117.7	111.9	102.9
Mony Re.	51,703	20,191	27,488	26,881	21,935	81.6	10,489	38.2	119.8	112.8	105.4
National Re.	74,300	72,687	101,234	103,246	93,721	90.7	24,610	24.4	115.1	126.2	109.9
Nationwide Mutual		41,580	54,687	52,745	43,659	82.9	15,325	28.0	110.8	104.5	106.0
New England Re.	36,889	60,409	127,572	110,270	98,128	88.9	38,983	30.5	119.4	106.3	105.0
New York Insur. Exchange	189,483	106,032	178,542	149,158	122,859	82.4	66,397	37.2	119.6	114.1	110.6
North American/Swiss Re.	330,523	511,411	508,200	493,963	410,426	83.1	140,167	27.6	110.7	109.8	105.6
Ntheastn. of Htfd./1st Re.	44,721	59,104	91,915	61,332	51,973	84.3	18,871	30.5	114.8	117.1	107.7
Philadelphia Re.	25,252	36,881	28,291	31,648	26,123	82.5	9,657	34.1	116.6	119.8	116.4
Prudential Re. Group	199,122	426,678	442,736	419,119	387,542	92.5	130,799	29.5	122.0	100.5	101.9
Reinsurance Corpn. of NY	32,365	55,179	48,784	51,538	42,553	82.4	17,795	36.5	118.9	120.2	108.5
San Francisco Re.	17,172	25,200	97,559	60,397	49,147	81.4	23,821	35.3	116.7	117.3	
SCOR Re.	24,194	29,969	31,185	34,335	21,808	63.5	15,090	48.4	111.9	113.7	110.3
Security Ins. Group		22,673	22,223	21,783	18,819	96.4	6,489	29.2	115.6	112.4	105.4
Skandia America Group	110,850	183,410	200,901	190,522	152,215	79.9	95,666	32.7	112.6	111.1	104.7
Transatlantic Re.	113,001	132,422	140,571	142,695	141,997	99.5	97,507	26.7	126.2	112.1	103.5
Unity Group	30,067	40,514	35,555	37,288	29,775	79.9	13,025	36.6	116.5	108.1	106.9
Universal Re. Corpn.	39,911	112,162	120,128	129,748	161,732	124.7	37,517	31.2	155.9	127.6	108.2
USF & G Group		76,874	40,583	50,248	39,845	79.3	11,990	29.6	108.0	97.7	86.3
Wansan Ins. Co.		88,444	45,412	41,699	43,503	104.3	12,983	28.6	132.9	128.3	125.2
"Winterthur" Swiss	80,741	75,933	74,741	73,202	66,765	91.2	18,939	25.3	116.5	113.4	117.3

THE YEAR 1983 will be remembered as one of unprecedented underwriting losses for the U.S. property-casualty reinsurers and these figures, from the annual survey of tha Reinsurance Association of America, give a guide to how individual companies performed.

(See Page 6 for U.S. report)

The key figures to the health of individual companies are: policyholders' surplus—the amount of money insurers have in addition to their insurance premiums to cover unexpected losses; net reinsurance premiums written —a good guide to the volume of new business done; losses—the claims which insurers pay out from their premium income; underwriting expenses —the cost of running the business and administering claims.

The last two categories are often expressed as a percentage nf net premiums earned. The combined ratin is probably the single most important figure for any company. It is a combination nf the underwriting expense ratio and the loss ratin. A combined ratio nf under 100 indicates an underwritiug profit; one over 100 generally indicates a loss.

Normally, companies aim for a combined ratio of 100 or lower.

An insurance company's earnings from investing customers' insurance premiums are used to cover the difference if the combined ratio is over 100.

Research: Rivka Nachoma

Worst is over after the years of upheaval

Underwriting agencies

STEFAN WAGSTYL

THERE ARE clear signs that the worst is over for company underwriting agents in the London reinsurance market after five years of unprecedently tough competition and often intense criticism of some of their activities.

The agencies are settling down after an upheaval in which they felt the impact of a worldwide down-turn in insurance rates, and the effects of allegations of abuse by some agencies which left the innocent underwriters tarred with the same brush.

Agencies are now benefiting from the calming influence of a general improvement in rates, which has followed a fall in insurance capacity as companies have withdrawn or limited their exposure to the market.

There will, however, be no return to the bom of the decade started in the late 1960s when London agents enjoyed rapid expansion, underwriting reinsurance on behalf of insurance companies, particularly those from overseas, who were keen to win a share of the world's biggest market in London.

Everything went sour in the late 1970s. The explosion in capacity, both in London and elsewhere notably in the U.S., turned underwriting profits into often heavy losses, too big to be offset by investment income.

Some overseas companies, frequently direct insurers with little knowledge of reinsurance, suffered from being innocents abroad in the sophisticated London market.

Worst of all for the reputation of London, some agencies abused a system in which they earn money for themselves from generating turnover for their clients without bearing any share themselves of the insurance risk.

In the turmoil which followed, overseas insurance companies took action—some pulled out of London altogether, others switched agencies and some established their own offices in London.

It is not clear to what extent dissatisfaction with a particular agent prompted these changes—companies which had been taken for a ride were reluctant to admit their mistakes, preferring to withdraw quietly. Certainly, the great majority of losses were caused by the decline in rates in a difficult market — companies operating through their own subsidiaries were often worse hit.

In a controversial case, the Instituto de Resseguros do Brasil suspended tha underwriting operations of its London branch after being faced with huge reinsurance claims from a stricken Lloyd's syndicate once headed by Mr Frederick Sasse.

> The most important influence on the market is the hardening of rates. If this establishes stability, then insurers and reinsurers will gain new confidence in the market, and their agents.

Thus many insurers and reinsurers looked around and saw no reason to change an agency where they had been satisfied clients for many years.

Top London insurance brokers, who also run underwriting agencies, among them Sedgwick Group, Willis Faber and Hogg Robinson, for example, have several long-standing clients on their books.

Nor did relationships between agencies and insurers always break up amid recriminations. The use of an agency was seen by many insurers as the cheapest way of entering the London market. Once a foothold had been achieved it was a natural step to set up an underwriting subsidiary.

A few other insurers have moved the other way. Finding the subsidiary they set up too expensive to run, they closed down and turned instead to an underwriting agency.

The decline in capacity has to some extent at least been brought about by the withdrawal of the weaker companies, both UK and foreign, from the market. This means that the remaining companies are those which are more likely to choose long-established agents to represent them. "Rogue agents" have in some cases been exposed.

Brokers placing business are also more selective in choosing agencies. After discovering how difficult it was to recover claims from some of the less honourable companies represented by a few agencies, brokers are more careful about identifying the principals for whom the agencies act.

On balance, more foreign companies are establishing reinsurance underwriting subsidiaries or branch offices in the UK, reducing the number of potential clients for agencies. Other companies are setting up jointly-owned underwriting offices with other insurers.

As an example, Kolonia Versicherung of West Germany operates Associated Insurance Management jointly with three other European partners. The point here is that the underwriters have an interest in minimising the risks in the reinsurance they write since the agency is owned by principals on whom the liability would fall.

UK insurance companies also play a part in these changes. The Chandos Insurance Company, a subsidiary of the Bass brewing group, last month ended an agency agreement with the Insurance Corporation of Ireland and opened its own underwriting room.

The precise legal position of the offices of overseas insurance and reinsurance companies is unclear. If the foreign company accepts business in the UK through a branch office or an independent subsidiary, or has an agent with underwriting authority it needs to have authorisation from the Department of Trade and Industry. However if the London office is merely a contact point passing on business which is legally accepted outside the UK then such authorisation is not required.

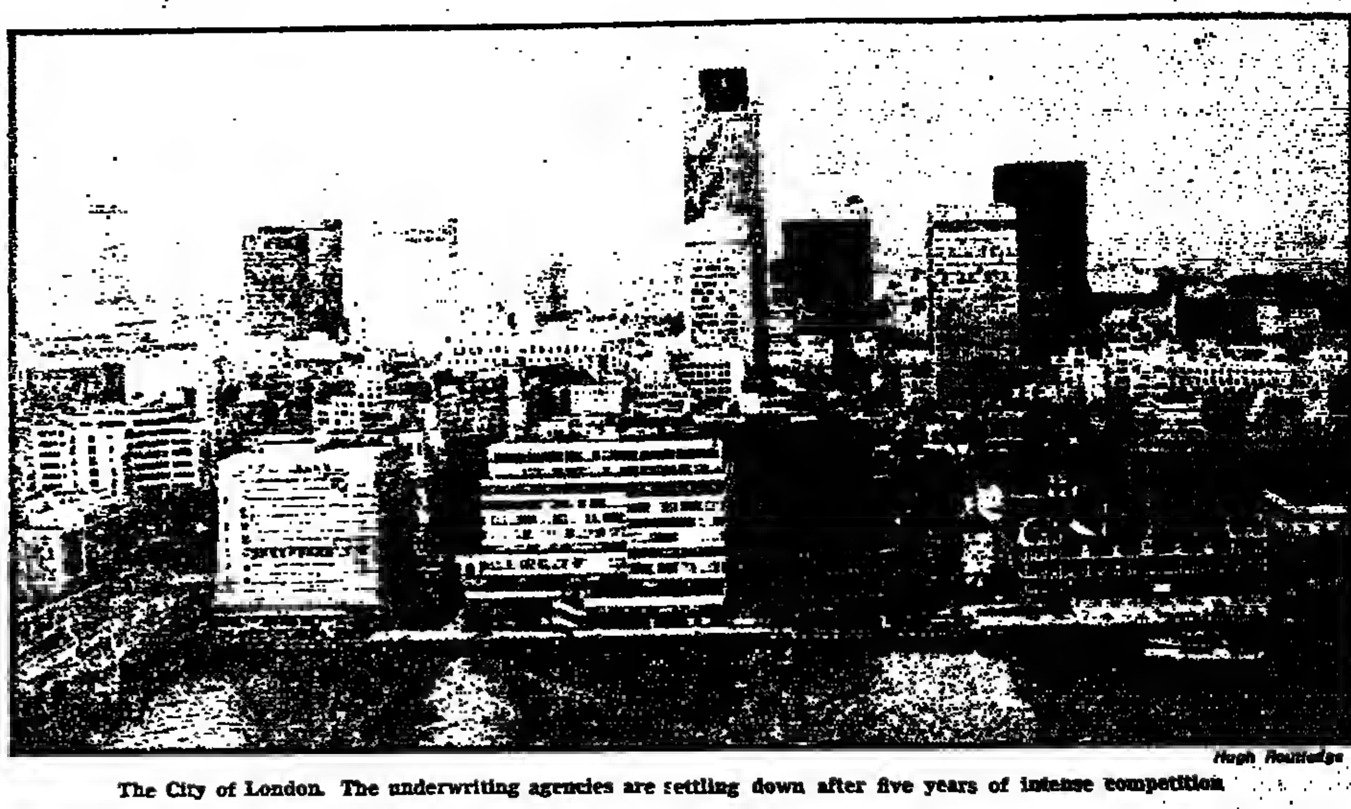
Unfortunately, the division is not clear cut and the demarcation has been thrown into the air but two recent court cases. The Bedford Insurance Company vs Instituto de Resseguros do Brasil, and B. A. Stewart vs Oriental Fire and Marine Insurance Company.

The DTI is reviewing these cases with the aim of setting out guidelines on precisely what kind of activities a foreign company can pursue without the need for authorisation.

The most important influence on the market is the hardening of rates which has gathered momentum over the past year. If this succeeds in re-establishing stability then insurers and reinsurers will gain new confidence in the market, and in their agents.

However, if improved rates draw back into the market some of the capacity which has been pulled out then the outlook might be more difficult.

But brokers and underwriters agree that the market will at least be better able to cope with these pressures than before. The conclusion reached in 1979 by Mr Julius Neave, former managing director of Mercantile and General Reinsurance Company still stands: "A long-term view is part of the recipe for recovery becausa without it, and the discipline needed to maintain established underwriting principles, the attraction of the quick buck, however illusory it may prove to be, is irrestible. There is no need for underwriters to be demoralised; they hold the whip hand."



The City of London. The underwriting agencies are settling down after five years of intense competition

Hugh Routledge

Cautious hope that the market has come of age

Brokers

ALEX NICOLL

AMONG London's reinsurance brokers, there are signs of belief—or at least, of cautious hope—that their market has come of age.

The larger insurance broking groups, which account for the bulk of reinsurance intermediation in London, have been doing well on the stock market, substantially outperforming other sectors.

Certainly, many factors have contributed to this—the continued strength of the dollar helps brokers since most of their income is in dollars, and most of their outgoings in sterling. Cuts in UK corporation tax have given them a direct boost. And higher than expected interest rates have maintained their investment income.

Optimistic

Underlying the stock market's optimistic assessment of their prospects, however, has been a feeling that a long-awaited rise in premium rates is now occurring and that a shakeout of reinsurance capacity is reasserting the predominance of secure and established markets such as London's.

Poor results from U.S. insurance companies — American Express group's Fireman's Fund Insurance and ITT's Hartford have been the most glaring examples—have also emphasised a belief that premium rates must rise.

Reinsurance premiums are watched most closely in this context, because a rise in the cost of laying off risk forces the insurer to charge more from the original insured. And since most policies come up for renewal at the end of the year, what happens then sets the pace for the next 12 months.

Mr Jim Payne, chairman of E. W. Payne, the reinsurance arm of the Sedgwick Group, says the insurance industry has been facing a crisis: "The property/casualty business generally is experiencing results which are in many areas little short of cataclysmic.

"The reinsurance sector was showing signs of addressing this problem at the end of 1983," says Mr Payne. "The end of 1984 is probably going to see the most dramatic period of reinsurance correction that we have yet experienced."

From a different perspective, a similar view is expressed by Mr Christopher Huxley, analyst at stockbrokers Fielding, Newson-Smith, who said: "Our faith rests on the two planks of present evidence that premium rates are in certain instances already picking up quite sharply and on the looming fears of a crisis in the American insurance industry so severe that rate increases become inescapable."

Mr Huxley says that, amidst a rise in aviation and some maritime rates, "there are examples of reinsurance premiums having risen by between 25 and 40 per cent and even more in some cases."

Hopes for a sustained rise in premiums are pinned on the elimination from the market of reinsurers who stepped into the market during its period of rapid growth over the past decade, hoping for a quick return on investment money.

This "fringe market—viewed by the established trade as "non-insurance" money—has, because of the nature of the business, taken several years to discover the potential for losses in it.

"It's not until quite a long time after you've written the business that you realise what you've done,' says one analyst. So, the theory runs, this so-called "innocent capacity" is disappearing as fast as it emerged, seeking more profitable havens for investment.

Parallel with this has been growing concern among insurers that reinsurance is placed securely. This leads to suspicion of fringe operators and to the re-emergence of established reinsurers. It also aids established brokers: Willis Faber, for example, said in its latest annual report that the hardening of rates "enhances the value of our placing and negotiating skills which tend to be discounted in periods of soft market conditions."

Concede

Reinsurers, faced with shrinking reinsurance capacity and a greater demand for security, are thus able to charge higher premiums—at least, so the theory goes.

Some leading brokers concede that rises seen so far have been small and patchy. Although capacity has undoubtedly been falling, the principal result has been a shift in the balance between different types of reinsurance.

In some cases, proportional treaties have not been filled—brokers have not been able to place the desired amount of reinsurance through a proportional treaty. So the remainder of the risk must be covered by excess of loss reinsurance, in which the reinsurer accepts liability for losses in excess of an agreed amount, subject to an upper limit.

This phenomenon has pushed up excess loss rates. It could have a long-term negative impact on brokers, however, because excess loss tends to produce high income at the beginning of the insured period, while proportional treaties provide steady income over a period of years. Some argue, therefore, that a shift in the industry could produce a lopsided effect on brokers' earnings.

One of the reasons for reinsurers' unwillingness to enter proportional treaties is the fact that premiums take a long time to work through to them, and that the amount reaching them will be far smaller than the premium.

This is because insurers keep substantial reserves against claims. There are signs of increasing pressure, however, to improve the position for reinsurers, and for contractual conditions to be more strictly complied with. This will force faster paperwork on brokers and a quicker pass-through of premium money.

The theory that capacity in the reinsurance industry is permanently contracting, however, should not be taken too far. A record number of people—over 4,000—are waiting to join Lloyd's. So the brokers must wait and see whether the turn in the market—which is remarkably independent of swings in economic growth—will be lasting.

Meanwhile, UK reinsurance brokers are seeking increasingly to expand their business through indigenous operations in the U.S., simply because it is the biggest source of premium income.

For example, Willis Faber has long had links with Johnson and Higgins of the U.S., and has recently taken a 49 per cent stake in the American broker's reinsurance subsidiary. Sedgwick Group has bought Capitol Intermediaries to expand its reinsurance business in the Mid-West of the U.S.

U.S. firms, of course, have already made substantial leaps in the other direction through purchase of London brokers.

The transatlantic moves are part of a trend to provide a more effective international package to multinational companies.

Many have also set up specialised subsidiaries— and a number of small specialised independents have also flourished —to provide expertise in reinsuring advanced technological risks.

Emphasis on meeting needs of the industry more closely

Bank services

MARGARET HUGHES

OVER THE past two years or so banks have been placing more emphasis on tailoring services to meet reinsurers' needs. They are doing so by bundling together their existing services in packages which meet the requirements of the reinsurance industry. They are also becoming innovative in developing new services specifically for reinsurance companies.

One product which is particularly topical at the moment is the irrevocable letter of credit. A recent ruling of the National Association of Insurance Commissioners (NAIC), which groups together the state regulators in the U.S., is expected to result in even more extensive use of this facility by the reinsurance industry. As a means of strengthening further the financial security of U.S. insurance companies, the NAIC has ruled that IBNR reserves (losses incurred but not reported) apportioned to non-admitted reinsurers will in future have to be offset by either a cash deposit or stand-by letter of credit.

Irrevocable sight letters of credit issued by banks are already widely used by foreign or non-admitted companies reinsuring business out of the U.S. The mechanism developed as an alternativa to OCAs (Outstanding Claims Advances). These are the cash deposits or other securities advanced by foreign reinsurers — once a loss has occurred and been reported to tha reinsurer — to U.S. ceding companies. OCAs offset that portion of the reserve for losses which the primary insurers are required to set aside by U.S. domestic regulations which cover losses on reinsured risks.

The main drawback of OCAs is that neither the primary insurer nor the reinsurer realises real return, if any at all, on these funds while they are tied np in meeting the regulatory requirements.

Letters of Credit

Since the New York State Superintendent of Insurance along with nther state and federal regulatory authorities, began to accept clean irrevocable letters of credit as an alternative to OCAs they have been increasingly, used by reinsurance companies.

Since the letter of credit is irrevocably secured in the bank the danger of a reinsurer becoming insolvent is removed. In addition letters of credit usually cover the full amount of the estimated losses rather than the 70 to 90 per cent generally provided in the form of OCAs.

They are also appropriate for facultative reinsurance (individually negotiated reinsurance business) where generally OCAs are not extended.

Letters of credit can be used for a number of contracts and the same one can be issued on behalf of a number of reinsurers in favour of the same beneficiary—the U.S. direct insurer. They are generally issued for a period of three years and can be extended annually and adjusted in value.

Tha collateral put up by the reinsurer will often be in the form of a U.S. dollar deposit account with the issuing bank although other forms nf collateral such as securities are also eccepted.

The advantage is that unlike the OCAs the reinsurer will earn a near market return—usually just below three month Eurodollar rates—on the dollar deposits.

Letters of credit can also be used to cover that portion of the primary insurer's unearned premium reserves which are due tn the reinsurer. They can also form the "corpus" nr assets of the trust funds which a non-admitted insurer is required to establish with e U.S. bank to enable them to undertake "surplus lines" insurance business in those states which allow them to do so.

As an instrument developed to meet U.S. regulatory requirements the letters of credit business has expanded with the increasing amount of insurance ceded out of the U.S. to London and elsewhere in Europe. They are also used for other cross frontier insurance business where the regulatory authorities allow them as an alternative to cash deposits within that country.

Because, for U.S. purposes, the letters of credit have to be issued by banks which are members of the Federal Reserve System, the leaders in the fiald are the big American banks like Citibank, Chase Manhattan or Bankers Trust.

These banks have simultaneously built up specialist units to service the insurance industry. Citibank, for instance, has more than 60 specialists in Londnn. Chase is smaller with 16 but all are well ahead of the British banks which have been alow to wake up to the needs of the insurance market, although they are now beginning to.

Advantages

The speed and cost advantages nf electronics funds transfer is particularly valuable to reinsurers transferring large amounts across national frontiers. Banks are beginning to tailor these and the more traditional banking services to the insurance industry's needs.

This applies to current accounts, deposit accounts, investment management services and foreign exchange facilities in particular. One of the new bank services which is proving attractive to reinsurers is the multicurrency chequing account which allows them to receive and pay out money in a range of currencies.

But though the major American banks are gearing their products to the reinsurers needs others still have a long way to go. In tha meantime the letters of credit business is becoming more demanding for the banks whose skills at evaluating good credit risks are being put to the test at a time when the insurance business generally is going through a difficult time.

Belts being tightened as risks are examined

The UK

JOHN MOORE

LONDON STILL remains a dominant reinsurance centre, with local companies and Lloyd's attracting more than $7bn of premiums which they are retaining for their own account.

Within the London market business is exchanged between one reinsurance practioner and another in what is known as London market exchange business. At the end of last year underwriter in another organ- that there was genuine belt-tightening in general business during the last renewal seasoo as those accepting risks became more wary of the business they were accepting and the underlying security of participants in the reinsurance chain.

Reinsurance underwriters who have participated in a risk, the terms of which have been established by a leading underwriter in an other organisation, have often disputed the terms of the lead underwriter.

Mr Donald Fox, chairman of Donald Fox and Partners, speaking at a forum of the Reinsurance Offices Association at the end of last year, said that there had been cases which had been put up for renewal where the second or third participating underwriting on the slip had indicated that they had not approved of the terms.

."Two or three years ago we were just told glibly 'well those are the terms; if you don't like it, cheerio.' Today there appears to be a change in that we are at least asked what our terms would be, and there have been circumstances when we have put up terms and we have got orders on those terms," said Mr Fox.

Underwriters who are accepting risks on a facultative hasis—whereby each risk is reinsured individually—are limiting overriding commissions and other commissions, which has hrought about some improvement in results.

Other reinsurance groups in London are refusing to renew contracts and succeeded in renegotiating improved terms on existing business. Moreover, there has been withdrawal of capacity at the fringe in London as companies operating through underwriting agencies have pulled out following an adverse underwriting experience.

Earlier this year Mercantile and General Reinsurance warned that "our major ground for concern is that we do not yet see any real evidence that the primary insurance companies in most markets have taken steps to improve their own underwriting results, particularly in those classes of business which are most heavily reinsured.

"We hope that the continuing pressure being exerted by reinsurers to improve underwriting conditions and toughen terms will, in time, have some effect, hut we are realistic enough to acept that at best this will only happen gradually."

But the latest round of disappointing results among UK nrimary insurers is encouraging analysts to conclude that the bottom of the insurance cycle must have been reached and that this will now lead to a turnround.

Lloyd's market comes under scrutiny

PREMIUMS AND CLAIMS

All figures in £000s	1980	1979	1978	1977	1976
Total—All classes combined:					
Premiums	3,653,372	2,859,468	2,163,281	1,896,171	1,703,168
Underwriting profit	21,748	37,133	110,811	99,948	96,486
Investment income and appreciation	374,427	233,625	169,285	110,887	83,225

LLOYD'S OF LONDON has become one of the world's most important reinsurance centres.

Up to two-thirds of its £3.7bn of premium income is now accounted for hy reinsurance business, which places it among the giants of the reinsurance community such as the Munich Re and the Swiss Re.

Lloyd's premium volumes for reinsurance are estimated to represent a market share among the professional reinsurance companies—those which only transact reinsurance business—of over 7 per cent. Among all reinsurance carriers Lloyd's market share represents around 4 per cent and is increasing all the time as capacity diminishes in centres around the world.

Lloyd's expansion in the reinsurance market was stimulated by the increased demand for reinsurance in the U.S. market in the early 1970s as local primary companies, faced with falling stockmarket values which eroded reserves, looked for additional protection.

Business flowed to London in large volumes and was channelled to the Lloyd's market by the exclusive circle of Lloyd's brokers.

But in the past two years the whole question of reinsurance practice in tha Lloyd's market has come under scrutiny and considerable reassessment.

Lloyd's is not only a big reinsurance centre: it also is an extensive user of reinsurance itself, reinsuring outside and inside its market. At the end of each underwriting account it reinsures its outstanding liabilities into the next account by earmarking premiums of the closed account.

These premiums are rolled forward into the open account in a "reinsurance to close" item, which ensures that the next account has sufficient funds to meet liabilities. Up to half of Lloyd's annual premiums are set aside for this purpose.

Lloyd's build-up of extensiva onshore reserves for future liabilities has met with some scepticism from the British Inland Revenue, which has come to regard the practice in part as a tax avoidance device designed to reduce taxable profits in any one underwriting account and to smooth out the peaks and troughs in underwriting performance to offset any sharp changes in the tax charges.

The Inland Revenue felt that its worst suspicions were confirmed with the onset of the Lloyd's scandals during the latter half of 1982. It appeared that underwriting members funds had been mismanaged by some of the working members of the market. But it also apneared that substantial tax irregularities may have taken place using reinsurance.

At the core of the Inland Revenue's concerns are "rollover funds." An extensive investigation into the use of these funds which might be other- Inland Revenue.

In a rollover policy a reinsurance contract is taken out by a Lloyd's insurance syndicate. A tax-deductible reinsurance premium is paid by the syndicate and the money lodged offshore with a company in a tax haven.

The premiums and investment earnings are rolled over between one underwriting account and the next in the offshore company and are returned to the syndicate only under a contractual arrangement if the syndicate's profitability looks like falling.

Over the years these funds have become used increasingly to warehouse the syndicate's fudns which might be otherwise liable to UK tax.

At the same time, the funds have often been lodged with companies where the market's working members have a direct shareholding interest and have taken dividends, expenses, interest on the funds, and made investments for their own personal henefit without the knowledge of the underwriting members for whom they act.

The market argues that the funds have been necessary only because of the unsympathetic attitude of the Revenue to the build up of onshore reserves Lloyds' says il needs huge reserves to meet large losses and that the offshore funds should be allowed to be brought back and applied to the underwriters' general onshore reserves.

Huge losses will necessitate a large "reinsurance to close item" which could be offset by the funds lodged offshore, according to Lloyd's.

Lloyd's arguments are falling on deaf ears, bowever. The Revenue is annoyed that Lloyd's, with recognised tax privileges which make the market an effective on-shore tax haven, has resorted to reinsurance to mitigate tax liabilities, rather than use reinsurance with a proper commercial purpose.

Lloyd's reckons that the tax wrangle involves £100m of disputed funds and up to 40 of the market's underwriting agencies. Up to 75 per cent of the market's membership of 23,468 may be liabla for arrears of tax.

But the "rollover fund" issue has considerably undermined the Revenue's confidence that reinsurance is used as a proper commercial instrument in the Lloyd's market.

The worst year since 1906

The U.S.

WILLIAM HALL

"FOR property - casualty reinsurers, 1983 will be remembered as a year of unprecedented underwriting losses," says Mr N. David Thompson, chairman of the Reinsurance Association of America (RAA). "The industry cannot continue to sustain the current level of adverse underwriting results, and significant changes in the reinsurance market will undoubtedly follow."

Mr Thompson's remarks in the latest annual report of the RAA sum up the depressed state of an industry which had just had its worst year since the 1906 San Francisco earthquake and fire. But if 1983 was bad, most companies report that the early months of this year have been horrible; and although there are at last some signs of improvement it will not show through in terms of earnings, until next year at the earliest.

The reinsurance industry is very dependent on the fortunes of the primary property-casualty companies, whose risks it reinsures. A cursory glance at the newspapers over the past few months gives an idea of the difficult trading conditions they have been facing as a result of fierce competition, depressed prices and unusually adverse claims.

Signa Corporation, one of the biggest U.S. property-casualty insurers with assets of over $45bn, recently reported a first-half loss of $34.8m compared with a profit of $163.7m in the same period of last year. There is a lag in the underwriting cycle as far as the reinsurers are concerned and these companies are only now beginning to report the effects of the depressed business conditions which have hit the results of the primary insurance companies in the U.S.

General Re Corporation, which with assets of $5.4bn is the biggest U.S. reinsurer and also one of the strongest financially, recently reported a fall of more than one-third in its first-half real income to $69.7m.

General Re's experience, while better than the industry average, gives a feel for the scale of the recent downturn in the U.S. reinsurance industry. Its combined underwriting/expense ratio for the first half of 1984 was 116.48 per cent compared with 101.92 per cent in the first half of last year.

In simple terms this means that for every $100 of premiums written, General Re paid out $116.48 in claims and expenses.

Although the losses on this side of its business are offset by earnings from its investments, combined ratios of this level are a clear indication that the company's basic underwriting business is underpricing its services. General Re's goal is to have a ratio of less than 100.

General Re's figures, while poor, are a good deal better than the industry average. According to the RAA's latest statistics the combined ratio of the companies it polls was 126.2 in the first half of this year compared with 111.6 in the same period of last year.

André Maisonpierre, president of the RAA, says that the U.S. reinsurance industry cannot continue with such ratios for long and there are already signs that the market is brightening as companies clean up their portfolios and post some substantial rate increases. "It looks as if what industry executives have been talking about for many years is coming to pass," says Mr Maisonpierre.

More than a dozen companies have pulled out of the U.S. reinsurance market, others are cutting back on their unprofitable lines and the remainder are trying hard to price new business at more sensible levels.

General Re, for example, says that because of continuing unsatisfactory underwriting results for medical malpractice reinsurance written on an occurrence form, and its inability to develop and charge appropriate rates for the product, it is no longer accepting new reinsurance business in this form. It will, however, continue to write medical malpractice reinsurance on the claims.

Along with many of its competitors, General Re is also finding that its treaty general liability business, which involves the automatic assumption of certain classes of risk identified in a treaty between two companies, is also proving especially difficult to correct in terms of boosting its profitability.

Apart from the reinsurance industry's efforts to put its own house in order, there is evidence that the process is being hastened by the increasing nervousness of some buyers of reinsurance. Because of fears that some of the bad news in the reinsurance industry is still to come, there are signs of increased wariness about the creditworthiness of some of the less well capitalised and less responsible reinsurers in the market. While there is no evidence of significant withdrawals of capital from the market, the big companies are benefiting from a "flight to quality" by buyers of reinsurance who are happy to pay slightly higher rates in return for the knowledge that the carrier will not be insolvent when the claims fall due.

Although the near-term financial performance of the U.S. reinsurance industry remains disappointing, it is clear that the long-term potential continues to look attractive to some outside investors. This was underlined by the decision of General Electric Credit Corporation (GECC) last spring to pay $1bn for the Employers' Reinsurance Corporation (ERC), one of the biggest property and casualty reinsurers in the U.S.

It is only four years since Getty Oil bought ERC for $570m. In the intervening period, the U.S. reinsurance industry has been through one of its most difficult patches for many years, yet GECC, which is no slouch in financial matters, felt sufficiently confident to pay Getty Oil's new owners, Texaco, nearly twice what Getty had paid for ERC, or roughly 1.9 times book value.

Ambitious plans for NYIE

IT IS ONLY 4½ years since the New York Insurance Exchange (NYIE), the U.S. answer to Lloyd's of London, opened for business. Although its early career has coincided with one of the worst-ever recessions in the insurance industry, its business is growing rapidly.

A few figures indicate the progress of the NYIE. In the first year it wrote $18.7m of gross premiums. A year later the figure was $72.5m, and in 1982 it was $156.4m.

Last year, premiums totalled $232.3m and in the first six months of this they were up 39.2 per cent at $167.3m.

Mr Don Reutershan, the president of the NYIE, has forecast that they will be running at between $420m and $450m by the end of this year.

"Some say we have not grown as fast as we could have and I think that is true," Mr Reutershan said in a recent interview. "But I say that we have grown as fast as we should have. Unfettered growth produces wild results."

That said, Mr Reutershan and his colleagues while scrupulously avoiding being rude about Lloyd's, make no secret of their ambition to turn the NYIE into one of the dominant markets in the world by the end of the century. That is only another 16 years away, lest we forget.

The vast bulk of the NYIE's business is reinsurance and if it were ranked as an individual company, it would already be the seventh biggest in the U.S. market.

The exchange appears to be benefiting from a strong desire in the U.S. insurance industry to see it succeed. Although early parallels were made with Lloyd's of London and much was made of its possible competitive threat, insurance executives believe that there is a genuine need for an exchange in the U.S.

Indeed, it is one of the few areas of the world's financial markets where London still has a disproportionate amount of business. Most of the other financial markets have gradually gravitated westwards across the Atlantic.

Perhaps the most visible sign of the rapid growth of the NYIE's business is the recent acquisition of a new headquarters at 151 William Street, one block north of the exchange's present building in Lower Manhattan.

The new building, in the heart of New York's financial district, will give the NYIE roughly 2½ times more space and allow it to plan for further growth in its staff, who now number over 100. Its syndicates currently total 46.

The NYIE plans to move into its new premises late this year or early next year. It will then have a 18,000 sq ft trading floor. Although it has been growing rapidly, the NYIE is still regarded as very much a secondary market, but in three or four years time this opinion might well have to be revised.

In the short term, attention is focused on the poor underwriting results, in common with the rest of the reinsurance industry. At the end of the second quarter of this year its combined ratio stood at 130.9, compared with 115.3 a year ago.

Part of the reason for the disappointing figures is that during a period of rapid growth expense ratios tend to run ahead of premium income as firms take on new staff to do future business.

Even so, Mr Reutershan notes that "difficult market conditions continue to impact on underwriting results and excessive price competition continues to erode the strengths of the industry."

Poor return from higher volume

Japan

ROBERT COTTRELL

JAPAN'S major insurance companies have, in recent years, sharply increased the volume of reinsurance which they have assumed from overseas. The returns, however, have been so poor that executives now say they are taking a very cautious and very conservative outlook towards new international business.

In the financial year to March 1983, the last period for which industry-wide returns are available, Japan's 21 major non-life insurers including one specialised reinsurer, Toa Re, received gross reinsurance premiums from abroad totalling Y383.3bn (US$1.65bn). After claims paid of Y289.9bn, and commission of Y96.5bn, the companies were left with a balancing deficit of Y3bn. Three years earlier, by comparison, gross premiums received totalled Y230bn, on which a positive balance of Y29bn remained after claims and commissions.

In terms of business ceded from Japan to overseas, however, gross premiums totalled Y190.7bn, while paid claims amounted to Y117.4bn and commissions Y50.9bn — leaving a positive balance of Y22.4bn. Growth in Japanese business ceded abroad has been slower than growth of overseas business assumed in Japan. Over the three years to March 1983, gross premiums on business ceded abroad has grown just over 16 per cent, against 37 per cent growth for gross premiums flowing into Japan.

Japanese insurers have little taste for the "cashflow underwriting" practised overseas, or for the cut-throat competition which has driven down the quality of reinsurance business worldwide. "We were victims," says one executive, "we were a little bit innocent as underwriters."

The domestic operating environment for Japanese insurance companies is stabilised by tight control from the government's Ministry of Finance. Direct insurance premiums are regulated according to an official tariff. While stipulation of that type does not prevail in the reinsurance market, the major companies form a small, relatively tight-knit community, in which business relationships tend to be long and constant.

"We know each other very well," says Mr Sadami Fukaya, general manager of the reinsurance and overseas department of the Chiyoda Fire and Marine Insurance Company.

The closeness of those relationships means that there is no room for brokers in domestic Japanese reinsurance. Business is done directly.

Japanese insurers began ceding significant business overseas in the 1960s, with the emergence of big-ticket policies such as jet airliners, supertankers, and petrochemical plants.

Another risk frequently ceded abroad is that of a major earthquake, such as last devastated Tokyo in 1923. There is simply not the capacity on world markets, says Chiyoda's Mr Fukaya, to fully cover the costs of a possible reoccurrence.

Industrialists in particularly vulnerable zones may be limited to 30 per cent or 15 per cent cover (householders are covered separately under a governmental earthquake insurance scheme).

Japanese insurers say that they have been surprised and dismayed by the widely-publicised problems at Lloyd's of London, but retain their confidence in the market. They do, however, criticise British insurance brokers for being slower with paperwork and, particularly, payments, compared with U.S. counterparts.

One executive says his company is making a particular effort to deal directly with U.S. insurers, rather than assume U.S. business via London, to cut down on time and expense.

Japanese insurance companies, like the country's other financial institutions, can afford to take a long-term view. Government supervision effectively guarantees the soundness of individual firms, and the stability of industries.

Regulated direct premiums ensure profits to cover temporary foreign reinsurance losses, allowing Japan's insurers to wait, in a relatively relaxed way, for international reinsurance to emerge from its recently unprofitable phase.

Sharp rise in claims

West Germany

JONATHAN CARR

THE LATEST report from West Germany's Münchener Rückversicherung (Munich Re), the world's largest reinsurance enterprise, tells a tale which is in part all too sadly familiar. Gross premium income rose in the 1983-84 business year (to June 30) by a modest 4 per cent to DM 9.9bn (US$3.64bn), and reinsurance losses are said to be even higher (though so far unspecified) than the DM 370m recorded in 1982-83.

Not only did the broad bulk of reinsurance business continue to deteriorate but there was also a sharp rise in the number of large individual claims (of more than DM 5m apiece). Results from foreign reinsurance activities were particularly poor.

The one positive factor is that Munich Re reports a big increase in its earnings from "general business"—mainly investment income—above all because of the continuing high level of world interest rates. This allows the company again to add to reserves while paying its traditional 18 per cent dividend—on increased capital.

It would hardly be accurate to call Munich Re "typical" of the German reinsurance market—for it bestrides that market like a colossus. On a 1982-83 comparative basis, Munich Re drew in gross premium income of DM 9.6bn, while its nearest domestic rival (from about a score of companies), Gerling Globale Rückversicherung, achieved DM 2.1bn and Kölnische Rückversicherung, the number three, DM 1.5bn. Nonetheless, the reinsurance market problems facing Munich Re are similar to those facing the rest of the field. The ability to deal with them varies.

From that DM 370m reinsurance loss at Munich Re in 1982-83, no less than DM 187m came from the fire sector, DM 153m from that block of diversified sectors which includes credit, legal aid and technical insurance, DM 65m from personal liability and DM 21m from transport. Only the life sector showed a profit—up to DM 56m from DM 41m a year earlier. It was much the same tale at other companies—for example Gerling Globale Rück where (again) the life sector was the only one in the black.

Superficially, it might seem that such losses can be sustained without a lot of aggravation in view of the reinsurance companies' big investment income. The book value alone of Munich Re's investments in 1982-83 totalled DM 10.1bn (of which DM 4bn came from securities and shares, DM 3.2bn from loans and debentures and DM 1.3bn from real estate)—producing income for the year of DM 858m. Gerling Rück's DM 3.1bn worth of investments brought income in 1982-83 of DM 243m.

Results like those appear to allow the companies to boost their reserves quite handsomely to take account of all reinsurance risks. In many cases this is so. For example, Munich Re showed a reserve ratio (that is the level of reinsurance reserves related to the level of net premium income) of 186 per cent in 1982-83; that of Gerling Globale Rück was 182 per cent; of Kölnische Rück even 194 per cent.

Some other companies are less well cushioned and have markedly less experience in the field. After all, Munich Re is more than a century old, survived two world wars and has striking continuity of management (the current boss, Herr Horst Jannott, has had his job since 1969).

Compare that with a company like Harold Rückversicherung (net premium income DM 99m in 1982) founded amid the economic and financial turbulence of the 1970s and which has experienced what are best described as marked "growing pains."

Even the top reinsurance concerns with very buoyant investment income have clearly recognised the need for retrenchment—for doing all they can to improve the quality of the underwriting business they take on at the expense of quantity.

Munich Re has been hammering away for years in its annual reports against cut-throat "cash flow" business by insurers and reinsurers, who think they can take losses on their underwriting and even cut premium rates further, because of their earnings from high interest rate investments.

Munich Re stresses that can work in the short-term but that insurance and reinsurance depend crucially on long-term security and confidence. What happens to underwriters locked into loss-making policy commitments when interest rates—and investment income—start to fall?

For its part Munich Re has strongly urged insurers to tighten the conditions under which they conduct their business, and has become even more choosy about the reinsurance activities it takes on.

This at least partly reflected in the modest rise of only 4 per cent—in Munich terms—in its gross premium income in 1983-84. Indeed, that figure overstates the actual increase because of currency movements. Last year the D-mark was on balance priced lower against other currencies, bringing a strong surge in the value of Munich Re's foreign premium income (about half the total) when expressed in D-mark terms.

Many other companies have taken a similar line. As Dr Peter Frey, head of Bayerische Rückversicherung put it when announcing a rise of only 2.2 per cent to DM 1.4bn in gross premium income for 1982: "We asked for major improvements in conditions from our (insurance company) customers, and in part we were successful. But where we were not we gave up the business."

Co-operation grows on a regional basis

The Middle East

MARY FRINGS

THE GULF shipping war has inflicted practically no loss on the Arab regional insurance market, although conference shipping lines, including United Arab Shipping Company (UASC), have recently adjusted war risk surcharges on Gulf-bound cargo.

On containers loaded in Mediterranean ports this surcharge has risen as high as 34 per cent.

Kuwait Oil Tanker Company (KOTC) did not take out war risk cover on its 23 crude and product carriers until last March and cancelled it in July when hull rates increased. But those national fleets that do insure against war risk deal with a consortium of locally-owned insurance companies in their shareholder states.

Profitable

In 1980 27 of these companies formed the Arab War Risk Insurance Syndicate (AWRIS), which has so far been extremely profitable (see table) although gross premium income fell from $11.7m to $6.5m between 1981 and 1983 as a result of a smaller volume of imports and transit cargo.

Except in the case of Iraq, the reduction is due to shrinking oil revenues and cutbacks in projects rather than to the long-drawn-out hostilities.

While the total bill for war-related marine loss in the Gulf is now estimated at $600m, including the $450m paid out to owners of vessels trapped in the Shatt Al Arab, claims settled by AWRIS for 1983 amounted to no more than $18,300.

This year there have been "no major losses arising from recent events in the region," according to Iraq Re, which manages the pool.

AWRIS retains only 1 per cent of the risk for its members' account and the collective liability is limited to $2.5m on any one ship, since the cover may not exceed $125m for hull and the same amount for cargo. Most of the remainder finds its way to the London market, although ARIG takes a small excess of loss participation.

Five other regional reinsurance pools have been established under the auspices of the General Arab Insurance Federation (GAIF), starting in 1968 with the Arab fire pool managed by Tunis Re and the aviation pool (Société Générale de Reassurance—Morocco).

These were followed by the engineering pool in 1971 (Iraq Re), the marine cargo pool in 1972 (Kuwait Re) and the marine hull pool in 1974 (Morocco).

None of these pools has been adequately supported by ceding companies and their progress has been disappointing, although proposals to reactivate them were put forward at this year's GAIF conference in Baghdad.

There is a growing trend for co-insurance of large risks among the nationally-owned insurance companies in the market, which also co-operate on a regional basis to arrange cover for Arab joint ventures such as Arabsat (a telecommunications satellite project), Gulf Air, the Arab Shipbuilding and Repair Yard (Asry), and shipping lines.

An example is the consortium for the United Arab Shipping Company (Uasc), which comprises direct and reinsurance companies in Iraq, Kuwait, Bahrain, the UAE, Qatar and Saudi Arabia, led by Gulf Insurance Company of Kuwait. At least 50 per cent of the risk is placed with members of the consortium, who retain a greater or lesser proportion of their share *according to* their own treaties.

Another 10 per cent is placed with Arig, 16-20 per cent through London brokers, and 20 per cent through U.S. brokers.

ARAB WAR RISK INSURANCE SYNDICATE (AWRIS)
(27 participating national insurance companies)

Gross premium income ($m)	1981	1982	1983
UAE	1.025	0.834	0.940
Bahrain	0.126	0.140	0.165
Saudi Arabia	1.050	0.238	0.270
Iraq	6.857	7.439	3.273
Qatar	0.261	0.194	0.152
Kuwait	2.412	1.867	1.680
	11.686	10.712	6.480
Unexpired risk reserve	n/a	2.550	2.550
Contingency reserve	n/a	2.500	3.000
Investment income	n/a	1.159	1.058
Net profit (before allocations to free reserve)	n/a	3.574	2.467
Free reserve	n/a	3.453	4.750
Unallocated net profit available for pro rata distribution	n/a	1.250	1.200
Profit commission payable to participants	n/a	2.707	*1.450
Claims	n/a	n/a	0.0183

Maximum cover on one vessel: $125m on hull (retention 1%)
$125m on cargo (retention 1%)

* Estimated

When covering industrial installations worth hundreds of millions of dollars—up to an astronomical $24.8bn for Aramco—Arab insurers have been out of their depth both in terms of capacity and skills, although Arig is now beginning to develop its capabilities in this field.

A new publicly-owned reinsurance company, to which other domestic companies will compulsorily cede 25 per cent of their business, is being formed in Qatar. *National* reinsurers also handle a major share of the business in Algeria, Egypt, Morocco, Iraq, Kuwait, Tunisia and Sudan.

Among them, Iraq Re quotes 1983 premium income of $154m, of which 70 per cent is domestic, Egypt Re derives 68 per cent of its $77m premiums from its home market, and Kuwait Re ($68m) a slightly lower proportion.

Disparity

The disparity between premium income and liability is less marked than among direct insurers, but even so there are wide variations. Iraq Re's net retention is 70 per cent and Egypt Re's 65 per cent, but their home markets are protected from foreign competition and rates can therefore be controlled. Kuwait Re, which works in a more competitive environment, retains only 24-25 per cent.

Alongside the national reinsurance companies there are four multinationals: Arig, based in Bahrain; Arab Re in Beirut; Arab Union Re in Damascus; and Mediterranean Insurance and Reinsurance in London.

The volume of business available in the Arab world (with annual premiums estimated at some $5bn) has attracted a large number of reinsurance brokers, including the Arab-owned Bali Insurance Services, which has set up an offshore company in Bahrain.

There are also specialist companies such as Scanrisk, which offers loss prevention and risk management services.

Steady progress by Arab Insurance Group

MANY of the myths surrounding the creation of the $3bn Arab Insurance Group (Arig) in 1980 have been exposed over the past two years.

There has been no sign of the political motivation which was seen as a consequence of Libyan, Kuwaiti and United Arab Emirates (UAE) and there has been no confrontation with Lloyd's.

Nor has Arig become a dumping ground for the poor-quality business rejected by other reinsurers, it is not so greedy for growth that it will support low rating or other unsound practices.

In short, Arig has proved to be a conservatively-run company guided by the normal commercial criteria, and it has developed a working relationship with the rest of the insurance community. It has been without a chief executive since Mr Ali Al Bedah resigned in 1981, but management by committee seems to work and the company has attracted underwriters of international repute.

Performance last year was in line with realistic targets which took account of the over-capacity in the re-insurance market, the increasing economic pressures on Arab oil producers and the scarcity of good-quality business.

Bottom-line profits of some $14m, compared with $13.1m for the previous accounting period, were still only half the company's investment income, which was maintained at $28m. (At the time of writing the 1983 results had not been finalised and figures quoted are approximate.)

Although estimated gross written premiums increased by only 10 per cent on the $90m reported at the end of 1982, a better balance was achieved in the composition of the book by cutting down on marine lines and expanding on property insurances.

There were also some small advances in fire (although oil and petrochemical business remained highly competitive), engineering and non-proportional re-insurance.

Rates improved significantly in aviation, which represented 15-20 per cent of gross written premiums. Marine, almost equally divided between hull and cargo, accounted for another 25-30 per cent, while the rest was in fire, general accident and other classes of non-marine insurance.

Arig is not involved in war risk cover, apart from a limited participation in the Arab War Risk Syndicate's excess of loss programme; it also has a small satellite line in the order of $500,000.

Total booked premiums amounted to $85m, well up on the $41.3m shown in the 1982 balance sheet, and the retention was over 92 per cent. The small percentage retroceded was mainly on an excess-of-loss basis.

Roughly one-third of Arig's premium income is derived from the Middle East, one-third from Europe and North America and one-third from Asia.

Mr Farouk Kwaja, the senior underwriter, was particularly pleased with the increase from the U.S., wher the company was able to attract direct from the ceders—not through brokers—some of better property business which it could not get the previous year.

Once again Arig decided that in the light of market conditions it would not be prudent to show a technical profit, preferring to build up its financial strength. Technical reserves were boosted from $33.1m to $60m, while shareholders' equity of $150m in paid-up capital plus retained earnings and free reserves amounted to $205m.

There have been two changes on the board of directors this year. The chairman, Mr Khalil Al Shamy, who also heads Gulf Insurance Company in Kuwait, retired at the end of his term of office to be replaced by Mr Abdul Wahab Al Tammar, the Governor of the Kuwaiti central bank—an appointment that can only enhance ARIG's international standing.

Meanwhile, Ahmed Al-Tayer, who was given a ministerial post in the United Arab Emirates soon after his election as vice-chairman of Arig, has also retired. His successor is Nasser Al Nowais, chairman of the Abu Dhabi Fund for Arab Economic Development.

At present the staff in Bahrain and London total 110, including nine lead underwriters and 15 assistant underwriters. With the accent on consolidation, there are no plans to open new offices in 1984-85 but there are plenty of ideas for diversifying the company's products as a hedge against a stagnant traditional market.

Mr Gunnar Maltegard, a specialist in the offshore oil business, was due to join Arig on September 1 to develop the oil portfolio, and life re-insurance is under active consideration.

Mr Kwaja also sees immense potential in the field of financial insurances. For 1984 he is hoping for a further 10 per cent expansion, but warns of possible nil growth in dollar terms if the U.S. currency continues to strengthen.

MARY FRINGS

Over-capacity restricts rate increase

Switzerland

WILLIAM DAWKINS

SWITZERLAND has not been immune from the problems of overcapacity and declining premium rates which have bedevilled the reinsurance industry the world over.

And if there are signs that reinsurance premium rates are rising in some markets, they have so far passed Switzerland by. That, at least, is the experience of Zurich-based Swiss Reinsurance, by far the largest reinsurer in Switzerland, with gross reinsurance premiums of some SwFr 4bn, and one of the largest reinsurance groups in the world. Its largest Swiss competitor is Union Reinsurance, one eighth of Swiss Re's size, with gross premiums of around SwFr 500m.

"Unless there is some hope that overcapacity is reduced, it is very difficult to see rates improving," says Mr Erich Etter, *deputy manager for Swiss Re.*

The group's non-life reinsurance activities lost SwFr 197m in 1982, and Mr Etter says that they will again show a loss when the group publishes its 1983 results in November.

Net profits for the Swiss Reinsurance Group, which is also involved in insurance and life reinsurance, are expected to be broadly in line in 1983 with the SwFr 97m booked in 1982, itself an 18 per cent increase over the preceding year. In 1981, profits had dropped to their lowest level for six years.

Dr Walter Diehl, group chairman, warned at the time of the last results that the reduction of the non-life deficit was an "urgent necessity." The group had already cancelled numerous unprofitable reinsurance policies and was reducing its presence in the industrial fire, transport and aviation fields. It would continue to pull out of the most difficult areas, even at the expense of losing premium income.

Swiss Re's life reinsurance activities have been less hard hit. They produced a slight increase in 1982 profits to SwFr 36m, but the group noted that big tariff reductions in its North American life business *continued to make themselves* felt.

Higher risks

Dr Diehl went on to say in his annual report: "The constant increase of the number of reinsurance suppliers has caused the capacity for risks of almost all branches to swell immensely in recent years. From experience, the result is pressure on prices where supply far exceeds demand. Consequently, the prices for reinsurance covers have declined to an unprecedented extent . . . Reinsurers in numerous markets are currently experiencing how difficult and time-consuming it is to raise premiums once they have fallen below cost price."

In common with other Swiss reinsurers, only a small proportion of Swiss Re's premium income is derived from its home country. But the problems it is experiencing in Switzerland provide a microcosm of the difficulties against which other groups are struggling in their own domestic markets.

To ease the strain on their local income, foreign companies like Munich Reinsurance of West Germany are increasingly turning to new territories, Switzerland included. "Foreign groups are squeezing our local business," *says Mr Etter.*

At home, meanwhile, a second new source of competition is emerging. Local insurance groups like Winterthur Swiss Insurance Company and Zurich Insurance are tending to turn to reinsurance because they feel that expansion possibilities in the insurance industry are becoming limited.

Swiss Re too is on the look-out for potentially profitable new markets. "We have to fight. If we come to the conclusion that there are foreign markets with interesting new situations, then of course we try to go ahead," says Mr Etter.

However, he emphasise that Swiss Re will never be one for chasing extra business at the expense of margins. "Our policy is to put profit before pure volume growth," he states.

In its domestic market, the success of that policy depends on Swiss Re's ability to foster its considerable local contacts and to capitalise on the fact that it can give a closer service than *its* foreign competitors, which generally have to channel their Swiss reinsurance business through their head offices abroad.

Elsewhere, says Mr Etter: "We are trying to find new business categories and new service combinations." In the end, however, Swiss Re's ability to return to a more exciting growth path "is just a question of quality and how the business is handled."

The Department of Trade is seeking to improve the quantity and quality of information made available

Financial controls under the microscope

Accounting methods

ALISON HOGAN

THE DRAMATIC collapse of the motor insurance company Vehicle and General Insurance in 1971 highlighted the potential disasters awaiting companies with poor financial controls.

A Department of Trade report criticised the risky investment policies and over-optimism of some of the management who allowed a rapid increase in income through competitive premium rates without proper regard to making provisions against claims.

Thirteen years later, the insurance world has become even more competitive and complex. The reinsurance chain, by which the original insurer cedes some of the risk on to one or more parties, bas grown longer as claims have grown in size. A reinsurer is often unaware of the original source of e piece of business it underwrites.

The settlement of claims has grown more complex, too. The length of the "Tail", (the time from when a reinsurer writes some new business, to when all possible claims have been settled) can run to several years.

The Department of Trade bas sought to improve the quantity and quality of financial information made available by insurance and reinsurance companies in an attempt to ensure a proper level of solvency and avoid further major failures within the sector.

The response from the industry has been varied. Some companies have tightened up their financial procedures and their actuaries have become more adept at estimating the scale of possible claims from a particular source of business. In all too many markets, however, reinsurance companies provide only a very minimum of information as to their viability and solvency.

The lack of information works against insurer and reinsurer. The reinsurer usually relies on a quarterly treaty statement which it receives from the ceding company. It gives details of its liability but not of the entire loss incurred so that the reinsurer can relate its part of the loss to the whole.

"Unless the reinsurer has a large share of an exceptionally large loss be will know nothing, of the original losses," say chartered accountants Spicer & Pegler.

"The reinsurer is unable to substitute his own judgment as to the adequacy of the estimates, but must rely on those made by the original ceding companies," they add. The reinsurer may not know the identity of the ceding company if he is several links removed down the chain and will have no way of monitoring the adequacy of the notified outstandings.

Limited picture

The ceding company in turn will often have only a very limited picture of the finances of the companies to which it cedes business.

Interpretation of any financial data which passes between ceding companies and reinsurance companies needs a high level of technical competance and accounting knowledge. Some companies heve encountered difficulties in finding competent staff with appropriate balance of skills, and have been slow to use technology torecord and analyse data and speed up the flow of information.

Mr Frank Guasci, actuary of the general branch of the UKs largest reinsurance company, Mercantile and General, has spent most of his working life in the reinsurance business. He has developed a detailed accounting system to monitor M and G's business.

"It is all to easy to go for new business and bring in a high level of premiums one year, without adequately accounting for the potential liabilties," he says.

He under takes frequent vaulations to estimate the level of unknown claims. At M and G, business is subdivided by class and the year in which the business was incurred.

"It is very important for all classes of reinsurance business, to maintain a system whereby every item of premium and claim is carefully allocated and related back to its precise year of account. Only in this way can the ultimate profit or loss from business written in a particular year be discovered," he states.

Mr Guasci warns against the misinterpretation of large positive balances which arise in years of high premiums and few claims. "Such apparent surpluses must not be regarded as 'profits' to be immediately distributed to shareholders, nor, more dangerously, to be used as freedom to expand the rate of premium growth."

He also urges caution in interpreting the revenue account of any reinsurance company, as the financial statement at the end of the year, necessarily shows an incomplete picture.

M Guasci suggests four desirable qualities a reinsurer should have to make a fair assessment of the value of outstanding claims:

- Close and frequent contact with the claims managers of ceding companies.
- Wide experience of legal matters, to be abreast of levels of settlements in courts.
- Direct market experience.
- The need to keep abreast of scientific and technological developments and their possible effect on the human environment.

The fairly recent realisation of the carcinogenic effects of asbestos, for example bas led to many very high claims which were not foreseen when many insurance contracts were arranged.

M and G keeps detailed accounts for each class of business by underwriting year. It *estimates any outstanding* liability which is regularly revalued for changes in inflation or exchange rates. Premiums received in that period are noted, along with any commission paid, further claims notified, management expenses and any transfer to or from the profit and loss account.

Mr Guasci admits that the business has become much more complex and competitive, and many more people have entered the field.

"Twenty years ago, premiums on profit margins were quite comfortable. One of the most significant changes since then is our growing reliance on investment expertise," he explains. Companies try to hold on to funds as long as possible to earn maximum interest.

"You cannot rely on underwriting profits alone and never will again. Those days have gone forever," he states.

A growing reliance on investment profits throws up different accounting problems. Under the most conservative accounting, investment earnings would be ignored completely in the assessment of projected liabilities. A small allowance, however, of say 1 per cent per annum from investment income, significantly reduces liabilities.

Most companies, and their accountants, accept that under certain strict conditions some small allowance can be made without sacrificing the main uses for investment earnings, namely shareholders' dividends, inflation and strengthening the company generally.

The main conditions that Mr Guasci sees as essential is that assets are matched to liabilities as far as possible. This involves the investment department working closely with the reinsurers noting the nature and terms of liabilities. In some companies, the underwriting and investment functions operate as though they were unrelated.

Major problem

A major problem for ceding companies is to maintain an accurate picture of their reliance on reinsurance protection. Their financial results, through the method of presentation, can often obscure the extent to which a company is reliant on reinsurance protection.

They can write several classes of business, involving several layers of treaty contracts, some to one reinsurer, and others apportioned to a number of reinsurers. The contracts can change each year and involve several hundred reinsurers.

"Monitoring the reliance on any particular reinsurer may not be straightforward, as the expected recoveries relating to losses not yet paid must be taken into account in addition to balances actually due," according to Spicer and Pegler.

"Every incoming premium or claim paid under a direct policy may potentially have an effect on several of the reinsurance contracts which has to be suitably accounted for," they say. They warn that where ceding companies fail to maintain reinsurance accounts scrupulously they are vulnerable to reinsurers delaying payments of claims while records are inspected, possibly leading to disputes or litigation.

It may be that some companies will only fill in certain crucial gaps in financial information, if accounting standards were published with which they would have to comply.

Key areas which Spicer and Pegler suggest might be covered by such standards include an analysis of the principal types of risk to which a company is exposed. In the case of a ceding company, they propose a grossing out of reinsurance transactions to reveal its reliance on reinsurance protection, and a proper assessment of reinsurance debtors for likely recoverability.

They would also like to see a standard which would establish accounting control from the moment a piece of business is underwritten, rather than at closing when a treaty statement is received.

Pile-up on the M4 motorway. Over-optimism on vehicle premium rates can undermine the proper level of solvency

Why tighter checks are being urged

Regulation

CHRIS MORRISON

THE explosive growth in international reinsurance marketplaces in the last couple of decades bas forced many legislators to rethink their regulatory strategies.

The traditional approach was more often than not to leave well alone. Reinsurance companies are, of course, obliged to comply with the usual insurance company regulatory requirements regarding such matters as minimum capital levels and solvency, but there has until recently been little additional regulation of the separate process of reinsurance. Contracts, transactions and the behaviour of intermediaries were largely outside the regulatory remit.

Supervisory authorities have always been much more concerned with the solvency of the direct insurer and it was usually assumed that any reinsurance purchased was basically sound.

The growing uncertainties surrounding reinsurance markets, and in particular the *growth of* so much new, and largely untested, capacity, has made this a very shaky premise and with their minds concentrated by a number of spectacular reinsurance collapses the regulators have started to show an increased interest in the business.

In the U.S. the demise in the mid-1970s of Pritchard and Baird led to the introduction of controls in New York State on reinsurance intermediaries.

The more recent problems at the reinsurance underwriting pool, POSA, an dthe Kenilworth Insurance Company in Illinois have produced an increased awareness in regulatory circles about the dangers of fronting—a widely used practice in reinsurance which enables an unlicensed reinsurer to collect business in a particular territory through an authorised insurer.

One of the biggest headaches for regulators concerns the montioring of foreign reinsurers, whose financial statements vary widely from territory to territory. Because of this problem U.S. regulators demand letters of credit and trustee funds to back up the activities of non-admitted reinsurers. The different treatment of non-admitted and local reinsurers is likely to grow in many countries over the next few years.

U.S. lawyer Sol Kroll has identified four areas in which the reinsurance industry has been subject to regulation in the U.S.:

- Security requirements for reinsurers, including licensing, approved or accredited status, approval on a case by case basis, posting letters of credit, withholding funds and posting of deposits.
- Regulation of reinsurance intermediaries.
- Insolvency regulation.
- Fronting and disclosure of reinsurance mechanisms.

All four areas continue to attract the attention of the various States' regulators.

Exercise

In the UK the Department of Trade and Industry has started to collect details on an individual company'a major reinsurers which it is now required to identify in its annual returns.

This exercise is the most visible sign of an edncational exercise designed to increase the Department's understanding of the part played by reinsurers in the solvency of the direct market.

Mr Michael Hoddinott, assistant secretary at the DTI, has stated that the Department intends to take an increasingly critical view of a company's reserving methods in respect of reinsurance. One item which will be looked at in particular will be the security offered by the major reinsurers identified.

Overall the Department has given warning that it intends to give greater attention to the suitability of a company's reinsurance programme.

It is sometimes argued by market professionals that reinsurance, in order to be properly effective, needs to transcend national boundaries, and excessive national control can interfere with the process.

Mr John Andrews, the past chairman of the British Insurance Brokers Association reinsurance brokers committee, says he does not believe that pressure for reinsurers to be licensed and to have representation in a country, such as is being applied in the U.S., and even more in Canada, is wise.

Nevertheless, such pressure is occurring because past abuses have led the regulators to seek tighter control over all insurance and reinsurance activity carried on within their frontiers.

The task facing regulators is immense and they are particularly hampered by a lack of harmonisation in accounting practices. The assessment of claims provisions is a crucial area bnt regulators often face major difficulties because they lack a *proper financial knowledge* of a company's ultimate backers.

Mr Colin Smith, a partner in Peat Marwick Mitchell, has sounded a pessimistic warning by stating that without harmonisation of accounting practice he does not believe that individual regulatory authorities can ensure the necessary improvements.

"Twenty years ago there may have been little reason to doubt that reinsurers were adequately provided. Today it is at least questionable whether that is still the case and until proper accounting standards are agreed, accepted and applied by the industry the resoluiton of that question cannot be considered," be said.

Lack of judgment proves costly

Security

CHRIS MORRISON

THE prospect of an increasing level of default in the payment of claims within the world's reinsurance markets is currently causing more concern cern in most insurance quarters. As a result the assessment of reinsurance company security is receiving greater priority by intermediary and buyer alike.

The problems of default have been caused by some of the factors already identified at work in producing an international banking debt crisis. Many of the current and potential defaulters are to be found in the developing countries where state-owned insurers led a rush for premiums—not dissimilar to the demand for capital from the banks—which has produced, for some, huge liabilities just a few years later.

The lack of security judgment which led to this situation is likely to cost both the banks and reinsurance buyers dear in the 1980s.

But it would be unfair to attach all the blame to companies *from* the *developing* countries. The 1970s were a time of hectic expansion throughout the insurance world and a great deal of what has been termed "innocent capacity" entered the field. The last couple of years have seen a number of significant cutbacks and there are doubts about the ability of many former enthusiastic players to stay the course.

Finally the growth of commercial fraud has presented particular problems for an industry where efficiency depends on the rapid transfer of funds across frontiers and between paticipants. In a business where a certain measure of trust is necessary the fraudster has reaped easy pickings.

Debt provision

The problems associated with poor security and default are manifesting themselves in a number of ways. The latest recruit to the London Stock Exchange, PWS International, has seen its doubtful debt provision rise in its last financial year to £447,000, equivalent to 23 per cent of its final pre-tax profit. Another London broker, C. E. Heath, caused some surprise recently when it disclosed a massive had debt provision of £4.45m.

The likelihood of further bad debt provisions elsewhere in the broking sector could depress earnings for a number of years.

These types of extraordinary items, which are starting to concentrate broking minds generally, sometimes arise when the intermediary's clients withhold premiums due to insurance companies, to offset claims that have not been settled by other underwriters.

It is because the transaction of insurance often requires the risk to be spread among a large number of underwriters, through the process of reinsurance, that the problem of dnd security somewhere along the line can end up by affecting most participants.

U.S. underwriter and security analyst Robert Daum told an audience in Bermuda last year that a sophisticated international insurer with world-wide connections, anticipated in its corporate planning the possibility of collecting only "65 cents in each dollar" from reinsurers in the event of a major catastrophe.

"If a buyer, such as he, was dealing with this possibility one has to wonder what the uniniated newcomers to the business are facing some months or years down the road," he added.

The assessment of the quality of security has been described by John Andrews, a past chairman of the British Insurance Brokers Association reinsurance brokers committee, as "the single most important decision a broker ever makes." But such assessment is a skilled and expensive job, beset by enormous difficulties. Many smaller intermediares are incapable of doing much worthwhile research in this area.

Even the larger brokers sometimes express their doubts about their efforts. Mr David Vermont, deputy chairman of Sedgewick Payne, commented recently that he believed that brokers were well aware that the tests that they carried out were not exhaustive enough.

"Such is the number of reinsurance carriers today and so multifarious the ways of compiling balance sheets that even the increasingly large departments set up to monitor security can apply only relatively crude tests to the financial statements available to them," he noted.

Penalties

Nevertheless the penalties for not getting it right can be immense. Apart from the financial provision required for bad debts there are often major problems with paperwork as the various parties attempt to reconcile balances. Faced irrecoverable claims the goodwill of the client often disappears.

The problems of security assessment start as soon as an analyst opens a reinsurer's report and accounts. Different regulatory authorities require widely different levels of disclosure ranging from the sophisticated returns sort in the U.S. to minimum levels of information that satisfy officials in offshore tax bavens such as the Cayman Islands.

But although considerable expertise is required to sift through such diverse information the competcnt analyst often regards published information as little more than a starting point.

Assets can be over valued and claims under reserved and iti s because of this that Colin Formby, chairman of Sedgwick group special services, has said he believes that there are "hundreds of insurance companies around the world who are technically insolvent."

In order to gain further insight into a specific operation further items which will be considered include the company's management, underwriting record and ultimate ownership. Security analysts are also paying increasing attention to the company's reinsurance programme and there is growing interest in the nature of a reinsurers' own business portfolio.

With some liability coverages producing longer run off periods than some life policies there is more than ever a requirement that the reinsurer will be around in 50 years' time.

And finally there is the market grapevine. "Actuaries and academics have always stressed ratios," commented U.S. underwriter, Bernard Daenzer, in March at the Insurance Institute of London. "Oldtimers in the business have learned to look for intangible evidence such as the *high* flying habits of the executives, sudden big changes in management philosopby, big increases in commissions, the inability to produce figures and the taking of offence at any inquiry about financial affairs."

WORLD TRADE NEWS

California shelves unitary tax change

By Louise Kehoe in San Francisco

U.S. MULTINATIONAL companies have won the first round of their battle to stop reform of California's tax laws, which they say would benefit their foreign competitors.

Proposals to change the state's unitary tax law, under which companies are taxed on their worldwide income, have been dropped by the state legislature without being put to the vote.

They will come up for consideration again when the legislature reconvenes in January next year.

Efforts to reform the California unitary tax system, initially proposed in May by Mr George Deukmejian, Governor of California, met with strong opposition from powerful local industry groups, including the California Business Council which represents 90 U.S.-based multinational corporations.

In addition, a group of high technology companies, including IBM voiced its opposition to the proposals, claiming that only foreign companies would benefit from the tax reforms.

IBM, the largest corporate tax payer in California, said that it's tax assessment would be increased by 50 per cent by the "waters edge" assessment option offered in the Bills.

The U.S. companies objected to two aspects of the proposals. Foreign dividends payed to U.S. parent companies would have continued to be taxed by California, they pointed out. This would have given foreign multinational corporations an unfair benefit because their foreign dividends – normally payed to non-American parent corporations – would not be taxed by California.

In addition, many of the state's high technology companies objected to rules that would have taxed income derived from countries classified as tax havens, where local taxes are much lower than U.S. taxes.

Included in the tax haven definition are countries such as Singapore and Malaysia, where many U.S. microchip companies have extensive operations.

Ammonia plant to be expanded

By Paul Taylor in New York

W.R. GRACE, the U.S. speciality chemicals group, plans substantially to expand its joint venture ammonia plan operations in Trinidad with the Trinidad and Tobago Government.

The New York-based group said it had agreed in principle to a major £250m project which will more than double annual capacity at the joint venture's fertiliser plan in Trinidad to 900,000 tons.

The joint venture plant, which is 49 per cent owned by W.R. Grace with the majority stake held by the Government, was established in 1974 with an initial $55m investment.

Mr Lloyd Jacquier, an executive vice-president at W.R. Grace and head of its agricultural chemicals group, noted that a 15-year contract was signed recently which gave the plant access to the island's low-cost natural gas supplies. Natural gas is used as a feedstock in the production of ammonia.

Asean crosses swords with Japan

Malaysia's Prime Minister, Dr Mahathir Mohamad, has advised the Japanese not to be merely "takers" in their relationship with his country writes **Chris Sherwell, South-East Asia Correspondent**

INCREASING SENSITIVITY among South East Asian countries over Japan's towering economic presence in the region has again been underlined by an unusually critical speech last week from Datuk Seri Dr Mahathir Mohamad, Malaysia's straight-talking Prime Minister.

Dr Mahathir questioned Japan's sincerity in assisting Malaysia's modernisation and advised the Japanese not to be merely "takers" in their relationship with the country.

The speech, which echoed sentiments voiced widely in recent months, was promptly applauded by local businessmen, and it is clear that Japan is being put on notice to improve matters.

For the government of Mr Yasuhiro Nakasone, it marks the second time in as many months that Japan has found itself crossing swords with a member of the Association of South East Asian Nations (Asean), the non-communist regional grouping which embraces Malaysia, Singapore, Thailand, Indonesia, the Philippines and, most recently, Brunei.

In July, three days of ministerial level talks in Bangkok failed to resolve a festering trade dispute between Japan and Thailand and some pointed remarks were exchanged over the imbalanced relationship between the two.

Relations between Japan and the fast-growing Asean group are important. Mr Nakasone, on a tour of the region last year, acknowledged this when he said the destinies of the two were bound together. "There can't be prosperity in Japan without prosperity in Asean."

The figures for both trade and investment speak for themselves. In 1982, the last year for which data is available, Japan supplied 22 per cent of Asean imports and bought 27 per cent of the region's exports. Between 1951 and 1979, Japan invested more than $6bn (£4.5bn) in Asean, almost a fifth of its total world investment and second only to North America.

Japan is now Indonesia's, Malaysia's and Thailand's chief trading partner, the Philippines' second largest after the U.S. and one of Singapore's top three. It is the largest investor in Malaysia and Indonesia, the second largest in Thailand and one of the biggest in Singapore.

Japan has not stinted in helping these resource-rich countries reduce their over-dependence on primary commodity production. Their industrialisation through import substitution and tariff protection through the 1960s and 1970s was good for Japanese capital goods suppliers, banks and the ubiquitous trading houses.

This industrialisation initially meant South East Asia tended to acquire low value-added, simple assembly industries like electrical goods, electronics and textiles, some of them with a large import content. As they secured round successfully for export opportunities in order to expand business so, indirectly, did Japanese products penetrate industrial markets more deeply.

Nor did it stop there. Japan has benefited from a mighty construction boom in cities like Singapore, Kuala Lumpur and Bangkok, and also from the countries' desire to broaden their manufacturing sector and move into heavy industry.

The trend has been spurred on by the politicians. Mr Nakasone's Asean tour was part of the required travelling schedule of a Japanese Prime Minister, while Dr Mahathir, shortly after coming to power in 1981, began a campaign to reform Malaysians' attitudes by urging them to "Look East" and learn from the work ethics, discipline and productivity of the Japanese and South Koreans.

Some Malaysians believe this policy has benefited the Japanese more than their own country, and Dr Mahathir has now expressed that view himself.

Nobody, of course, believes that Asean's relations with Japan are now moving into reverse. In non-economic matters, Tokyo has stood behind Asean on its major foreign policy issue of Kampuchea, and it has been careful to assuage Asean concerns over any build-up in Japanese defence capabilities.

In economic issues, too, Japan has undoubtedly been a powerful catalyst in the industrialisation and growth of the Asean countries, especially over the past 15 years. But the question being begged now is whether the benefits are too lopsided, and imbalance ought to be redressed. The signals from South East Asia are looking clearer than ever.

SHIPPING REPORT

Dry cargo markets expected to improve

BY ANDREW FISHER

SHIPOWNERS and brokers are looking for more action in dry cargo markets in coming weeks after the summer lull. But the outlook on the tanker side is poor, with rates weak in the absense of business from the Gulf.

Dry cargo trades already developed a more optimistic tone in August, mainly as a result of seasonal grain trends, noted Matheson (Chartering). Harvests in Northern Hemisphere countries have been gathered, or are about to be, and rates have begun to pick up.

But not all types of vessels have benefited. It is mostly the rates for Panamax ships—able to go through the Panama Canal—and other large carriers that have risen.

Even for these ships, Denholm Coates, noted the grain rate across the Atlantic to Europe has only moved up to about $8.50 a tonne—better than the recent low of $7.75, but still far from the $10.50 or so ruling in April/May.

Matheson reckoned it was still too early to say whether enough new business would emerge to absorb all the tonnage. Denholm Coates also referred to the steady stream of new ships being delivered on to the market.

On the tanker market, the tonnage surplus remains high while inquiries for big tankers from the Gulf is tiny. Brokers reported about 40 vessels of 10m deadweight tons waiting in the area for employment.

Spain optimistic on defence deal

BY TOM BURNS IN MADRID

A VISIT to Spain this month by the chief of Turkey's general staff has prompted hopes among Spanish officials for the conclusion of a wide-ranging defence contract. There is particular interest in winning a $300m order – for commuter aircraft adapted for military use – for Constructions Aero Nauticas SA (Casa).

The visit of Gen. Necdet Urug, who will be in Spain from September 9 to 12, will be the latest in a series of high level contacts in the past three months

In July Sr Eduardo Serra, Spain's Under-Secretary for Defence, visited Turkey.

The aircraft contract is for 52 Stol aircraft for transporting troops. Short-listed for the order is the CN-235, developed and built by Casa and by Indonesia's Nurtanio Airtech, and which has been presented in public for the first time at the Farnborough international air show in the UK.

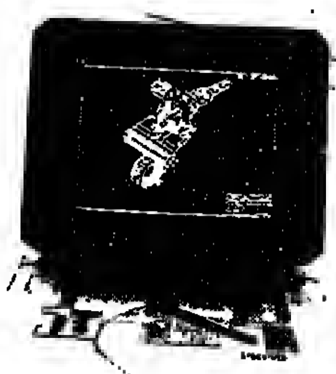
Officials at the state holding company, INI, said yesterday that the desired agreement with Turkey was ambitious in its scope.

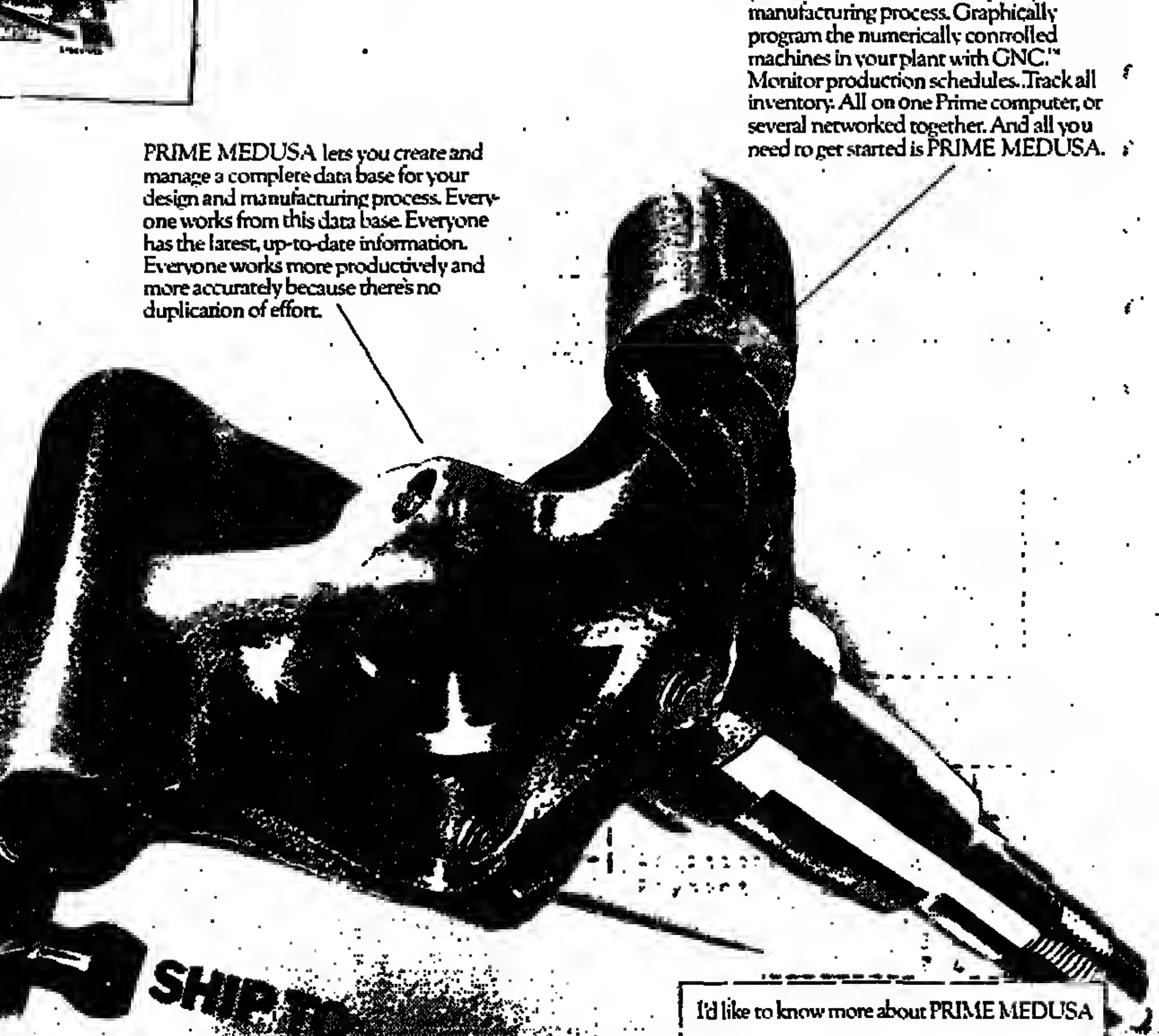
Air show, Page 4

WORLD ECONOMIC INDICATORS

TRADE STATISTICS

		July '84	June '84	May '84	July '83
UK £bn	Exprots	5.476	5.893	5.636	5.107
	Imports	5.614	5.990	5.914	4.945
	Balance	−0.137	−0.097	−0.279	+0.162
Japan $bn	Exports	14.84	14.65	14.28	12.50
	Imports	10.71	9.80	12.43	8.74
	Balance	+4.12	+4.85	+1.85	+3.76
W. Germany DMbn	Exports	39.46	35.41	41.49	33.18
	Imports	36.47	34.14	36.66	31.02
	Balance	+2.99	+1.27	+4.83	+2.16
		June '84	May '84	Apr. '84	June '83
U.S. $bn	Exports	17.633	17.950	17.522	17.008
	Imports	25.356	25.569	28.368	21.024
	Balance	−7.723	−7.619	−10.846	−4.016
France FFrbn	Exports	69.00	73.10	66.00	60.27
	Imports	74.25	73.02	70.40	63.97
	Balance	−5.25	+0.08	−4.40	−3.70
		May '84	Apr. '84	Mar. '84	May '83
Italy Lirebn	Exports	10,040	9,502	10,818	8,245
	Imports	12,150	11,174	12,367	7,951
	Balance	−2,111	−1,872	−1,549	+294





CBI forecasts modest growth until 1986

BY MICHAEL PROWSE

BRITAIN'S sluggish economic recovery will continue at least until spring 1988, the Confederation of British Industry (CBI) suggests in its latest economic forecast published today.

Modest growth of 2½ per cent this year and 2¼ per cent in 1985 should create nearly half a million new jobs over the next 18 months, it says. The number of people unemployed will fall only marginally, however, because of the expanding labour force.

The CBI's August survey of nearly 1,700 manufacturing companies, also published today, suggests that business confidence is still quite buoyant in spite of continuing labour disputes. This may reflect relief that July's rise in interest rates has been partially reversed and sterling has stabilised.

The survey, however, was completed before the present docks dispute began. Sir James Cleminson, CBI president, warned that "even a partial stoppage will jeopardise the jobs of many thousands."

The CBI's survey indicates that industrialists expect manufacturing output to continue to climb over the next few months but at a slower rate.

It suggests that earlier official figures showing a decline in the second quarter may have been misleading, and will be revised.

Although there appears little danger of the economic recovery fizzling out, the CBI suggest its nature is changing: investment and exports are increasingly taking over from consumer spending as engines of growth.

The CBI forecasts a 13¾ per cent rise in manufacturing investment this year and a further rise of 8 per cent in 1985. It points out, however, that in 1983 manufacturing investment was still 26 per cent lower than in 1980.

The rise in investment partly reflects companies' improving profitability and liquidity. The CBI estimates that real pre-tax returns on capital will average 8½ per cent for non-North Sea oil companies – the highest since 1977–78.

Export volume is forecast to rise by about 6 per cent in 1984 and 1985, yet the CBI still expects the UK to lose its share of export markets because of deteriorating competitiveness.

Competitiveness worsened by 3½ per cent in the first half of 1984 and relative unit labour costs are now nearly 30 per cent higher than in 1975.

John Lewis quits group in trading hours row

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

JOHN LEWIS, the department store and supermarket group, has resigned from the leading trade body for Britain's retailers after a row with Woolworth over Sunday trading.

John Lewis, which has 21 stores, and 75 supermarkets under the Waitrose name, supports existing legal restrictions on late night and Sunday opening.

Woolworth is in favour of Sunday trading and recently decided to open its store in Kensington, London, on Sundays because many other shops in the area were also trading.

The argument came to a head when Mr Peter Firmston-Williams, deputy chairman of Woolworth, was elected chairman of the Retail Consortium. John Lewis then resigned from the British Retailers' Association, which represents the large retailers in the consortium.

Mr Firmston-Williams said last night that he would not have been elected as the consortium's chairman "if people believed I would be biased in any way."

The split comes only weeks before a Home Office committee of inquiry is due to report on shop hours. The committee is expected to recommend a relaxation of the trading laws.

Capel staff to receive incentive payments

By Barry Riley, Financial Editor

KEY EMPLOYEES of James Capel, the leading firm of London stockbrokers being bought by Hongkong and Shanghai Banking Corporation, are to be awarded incentive payments to secure their loyalty.

The payments are in addition to terms being offered by Hongkong Bank to the 62 shareholders in James Capel. Both sets of payments to shareholders and employees are being phased over five years.

Hongkong Bank is initially buying a 29.9 per cent stake – the maximum at present allowed by the London Stock Exchange – and will raise its interest to 100 per cent over the five years. The terms have not been disclosed.

The inclusion of selected non-shareholding employees in the benefits package is said to be an important feature of the deal. It reflects anxiety that the morale of junior executives might be affected by jealousies due to the fact that share-owning colleagues – perhaps only slightly more senior – will be entitled to very large capital payments from Hongkong Bank.

Figures have not been disclosed, but the average sum due over a period to each shareholder cannot be far short of £1m.

Although Capel is organised as an unlimited company, similar problems are being faced by rivals set up as partnerships – a more popular legal structure in the big stockbroking firms.

Ownership in such firms is usually concentrated in the hands of the oldest partners, but the most productive people are often salesmen and analysts in their late twenties or thirties, who are not yet partners.

In the past the chance of rising up a partnership ladder has given them important incentives, but the sale of the firm to an outsider ends this prospect.

Many firms are giving considerable thought to the problem of maintaining incentives for the next generation of brokers. There are rumours of discontent in the junior ranks of several firms which have been sold to outside financial institutions.

De Zoete & Bevan is thought to be one partnership where significant payments to non-partners are being considered.

FARNBOROUGH INTERNATIONAL AIR SHOW

General Electric plans relaunch of propeller-powered aircraft

BY LYNTON McLAIN

A REVIVAL of propeller-powered flight for the 1990s was forecast at the UK's Farnborough air show yesterday. General Electric (GE), the U.S. aero-engine manufacturer, showed its advanced propeller-fan jet engine for the first time, with a claim of a 20 per cent to 25 per cent cut in fuel use compared with conventional fan engines.

The engine may have applications on future short-range 150-seat airliners. The Boeing Company is already testing a powered, scale model of the engine in its wind tunnels in Seattle.

A full-scale GE engine is expected to be tested next year and flight tested in 1986, said Mr Brian Rowe, senior vice-president and group executive of GE's aircraft engine group. The engine could be in service by 1992 if sufficient funds were made available.

The General Electric "unducted fan" engine design is being developed under a $20.4m contract awarded to GE by the U.S. National Aeronautics and Space Administration. This represents 90 per cent of the cost of the research programme, with GE putting in the 10 per cent.

The unducted fan engine (UDF) has two 12ft diameter counter-rotating scimitar-shaped curved propellers, with eight blades each, mounted at the back of a conventional turbine. It produces 25,000 horsepower.

The engine has no gearbox. This cuts the weight of the engine by 10 per cent compared with a conventional turbofan.

GE claimed these aircraft would use between 40 and 60 per cent less fuel, compared with existing jet-powered standard-body twin and tri-jet airliners. The engine was expected to be quiet.

International Aero & Engines (IAE), the multi-national consortium of Rolls-Royce, Pratt & Whitney, MTU of West Germany, Fiat of Italy and Japanese engine companies, producing the V2500 turbofan engine for 150 seat airlines, responded sceptically to GE's announcement of an early debut for prop-fan engines.

"There is little prospect for the development of new prop-fan airliners in the near-term, because of the complex technical issues involved," said Mr Robert Rosati, the president and chief executive officer of IAE.

BAe to build new Hawk fighter

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AEROSPACE has launched a new fighter aircraft, the single seat Hawk 200. It is a derivative of the existing two seater Hawk trainer in extensive service with the Royal Air Force and several other air forces.

It is the first new fighter to be launched in the UK for more than a decade. British Aerospace is hoping that it will win big orders worldwide, especially in the developing countries. The aircraft will cost about £6m.

Sir Austin Pearce, chairman of British Aerospace, said yesterday that the main point of the Hawk 200 was that for its cost it would have exceptional performance. "Its low fuel consumption will enable it to remain on combat air patrol for up to four hours, over 100 nautical miles from its base. So you can see it is a formidable aircraft."

Sir Austin also stressed the commitment of British Aerospace to international collaboration on the proposed five-nation European fighter aircraft (EFA).

Discussions on the detailed definition phase of the EFA are now in progress between the UK, France, West Germany, Italy and Spain. A final decision on the full scale development of the aircraft is expected to be taken at a meeting of the defence ministers of the countries involved in Rome next March.

Asked if the UK would "go it alone" if the five nations failed to agree on a joint programme, Sir Raymond Lygo, managing director of British Aerospace, said the UK was already working on its own national venture, the experimental aircraft programme (EAP).

This "proves that the UK has the total capability in airframes, engines and avionics to design and manufacture a next generation fighter aircraft", said Sir Raymond.

Short, Sikorsky to make joint bid

BY OUR AEROSPACE CORRESPONDENT

SHORT BROTHERS of the UK and Sikorsky Aircraft, the U.S. company which is the world's biggest helicopter manufacturer, are joining forces to bid for a Royal Air Force helicopter order that could eventually be worth more than £400m.

Sir Philip Foreman, chairman and managing director of Short Brothers, and Mr William Paul, president of Sikorsky, signed a memorandum of agreement at the Farnborough air show yesterday, setting up a joint industrial co-operation programme in the UK.

The initial aim of the agreement is to bid for the big helicopter order that the RAF is contemplating to replace its Wessex and Puma support fleet.

The RAF will need between 75 and 125 helicopters to meet this requirement.

The Short-Sikorsky proposal, however, faces considerable competition. Westland Helicopters of the UK is offering the RAF a version of its existing W-30 helicopter, while Aerospatiale of France is offering an advanced version of its super Puma helicopter.

As part of its own bid the Sikorsky-Short combine has proposed that it would offer the American S-70A helicopter which would be an Anglicised version of the already widely used Sikorsky Black Hawk.

Sikorsky said that it would offer the S-70A with the new joint Anglo-French engine, the RTM-322, being developed jointly by Rolls Royce and Turbomeca of France.

The RAF is expected to make a decision before the end of the year.

'Crisis of survival' for information technology industry

BY RAYMOND SNODDY

BRITAIN's information technology (IT) industry is facing a "crisis of survival" and urgent action by the Government and industry is needed if the relative decline is to be reversed, the Economic Development Committee (EDC) for the industry warns in a report published today.

The committee, chaired by Professor John Ashworth, vice-chancellor of Salford University, argues that the UK industry is weak compared to its American and Japanese competitors.

Although it now has a turnover worth £4bn and is growing at 20 per cent a year, the UK share of total output of the five leading IT nations has dropped from 9 per cent to 5 per cent since 1970.

"On present trends the UK will not have an independent broad-based IT industry by the end of the decade. It will have a mixture of inward investment, UK-owned companies employing licensed technology and specialised applications companies," the EDC says. Yet IT was the key technology of the immediate future and nearly half the working population were "information workers" in some form.

In 1982 Britain had a trade deficit in its IT account of £460m and import penetration approaching 50 per cent in IT products. Provisional figures for 1983 show that imports have increased to 54 per cent and the trade deficit to about £800m.

"There are many significant government programmes of support, particularly the Alvey programme, which is encouraging the fragmented UK industry to collaborate on pre-competitive research and development. However, the dominant factor in the industry is the scale and competence of international competition," the report says.

It calls for two urgent reviews and two major initiatives to make the industry more competitive.

● Despite the Alvey programme, the actual sum spent on civil industrial research and development is very much less in the UK than among major competitors. An initiative is needed to encourage more collaborative pre-competitive research. The approach should be selective and could take the form of special tax concessions for projects approved by the Alvey directorate.

● Money is available for high technology start-up companies but sources diminish as companies approach medium size. The entrepreneur often feels that the cost and loss of control that comes from equity finance is not justified by the growth generated. The EDC believes consideration needs to be given to the financing of fast growing medium size companies.

● Further initiatives are needed to meet "an acute national shortage of people with IT-related skills."

● An IT initiative is needed in public procurement to make it more selective and in support of industrial policy.

Crisis Facing UK Information Technology £3. NEDC, Millbank Tower, Millbank, London SW1 4QX

Dover traffic falls

BY ANDREW FISHER, SHIPPING CORRESPONDENT

DOVER, Britain's main cross-Channel ferry port, suffered a sharp fall in passenger and car traffic in July, although freight business dropped only slightly.

Partly responsible was the July dock strike, which crumbled after pressure from lorry drivers held up at Dover. But the 9.8 per cent fall in passengers to 1.97m was also caused by new, more complicated arrangements for people making short trips to the European continent.

That followed French objections to the previous system under which people without passports were issued with identity cards by ferry companies. Now they must apply at post offices for travel documents.

Dover Harbour Board said the July passenger figures were the worst since the early 1970s. Accompanied vehicle traffic was down by 14.1 per cent to 254,000 vehicles. In the first seven months, the passenger total was static at 7.75m.

Ferry traffic at Dover has operated normally during the present docks dispute. Port workers there voted not to join the strike.

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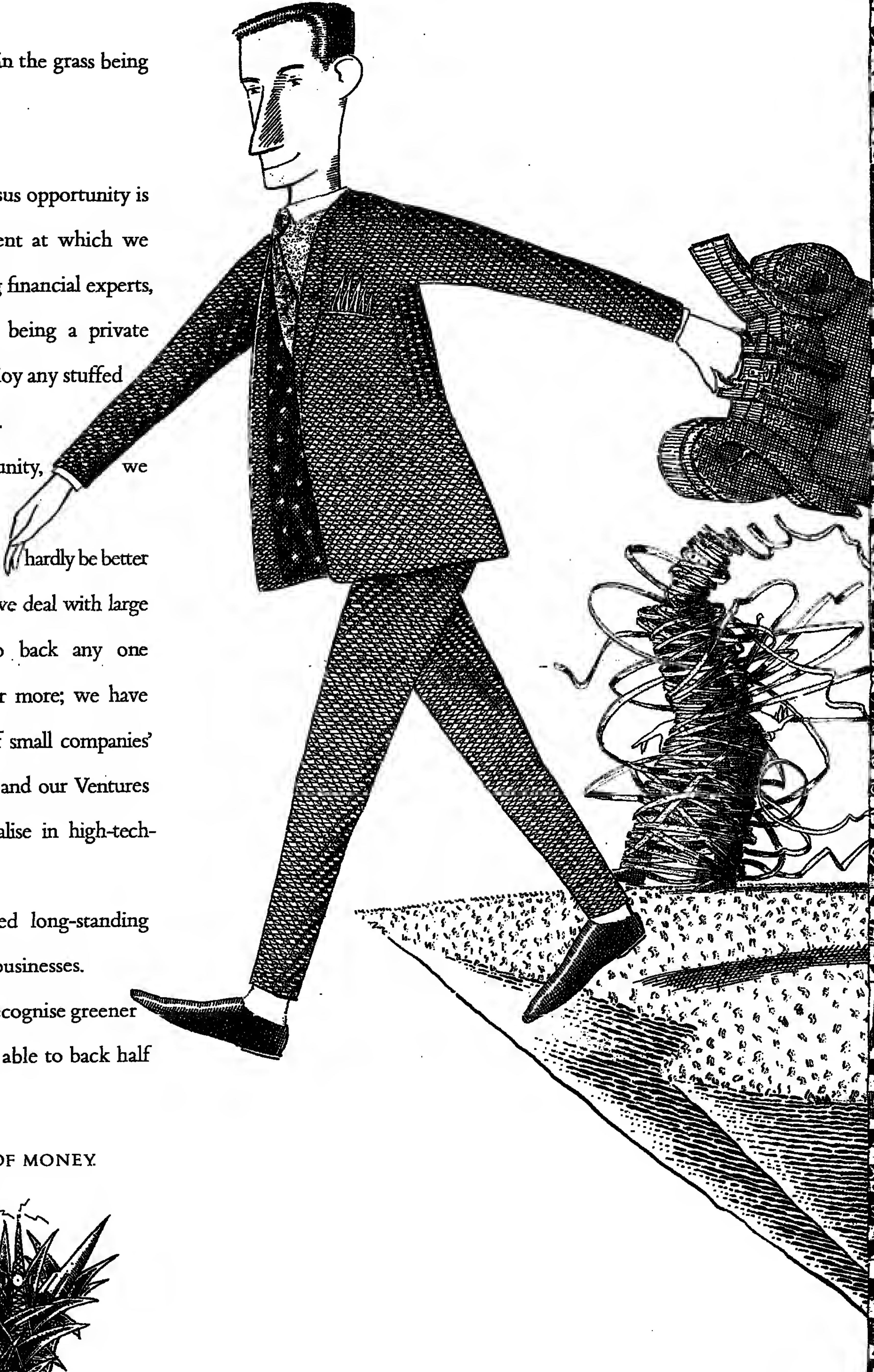

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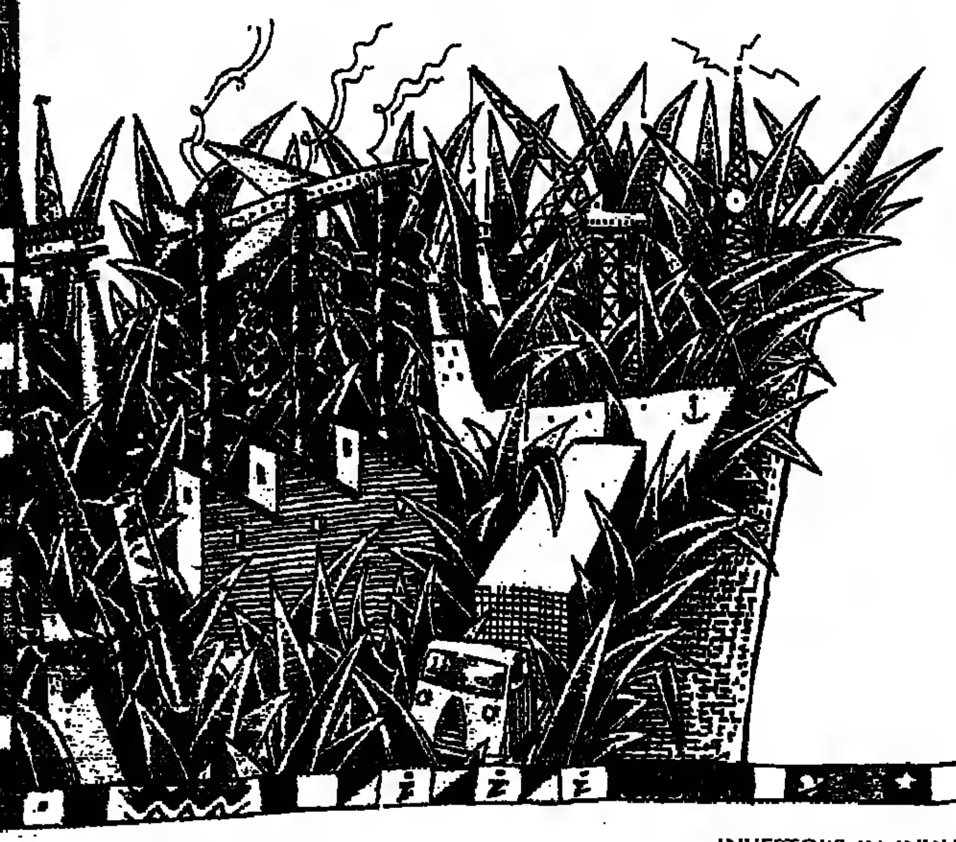

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TECHNOLOGY

EDITED BY ALAN CANE

ALAN CANE AND ROBIN REEVES LOOK AT COMPUTER PRESSES

Publishers who face automation . . .

LIFE BEGAN to get tough for academic authors and their publishers at the beginning of the 1970s and it has become no easier since.

The problem—and it is hardly unique to the publishing business—is production cost, especially in the case of comparatively short production runs.

Most academic monographs come into this category: "Publishers were over optimistic," says Mr Peter Ferris, technical development manager for John Wiley and Sons: "They were printing more books than they could sell."

"Publishers were printing 1,500 copies of a monograph and only selling 800" Mr Ferris pointed out. "Five or six years ago, nobody had ever heard of writing off unsold stock—now it is everybody's concern."

So when Mr Ferris was given the task, late last year, of putting forward proposals to management for investment in computerised systems, his first priority was the economic printing of short run technical publications.

The magic print run seems to be about 500 copies. Below that number, traditional publishing techniques are hopelessly uneconomic; above that number, perfectly satisfactory.

John Wiley and Sons, wholly owned subsidiary of John Wiley of the U.S. is, by any standards, a technologically advanced publisher. It has been using computers for conventional tasks like accounting and stock control for over 20 years, and was one of the first companies to take on board microcomputers—first Apples, now IBM PCs—in large numbers.

One of its long-term objectives has been to capture author's keystrokes on magnetic media—tape or disc—and cut costs associated with re-keying to a minimum: "The biggest problem is re-educating authors" Mr Dennis Fairs, general manager for production at Wiley, says darkly.

Wiley's answer to the problem of short run technical publications has been to instal a Syntext system from a UK company Scan Laser, the first of its kind in the UK.

Scan Laser is almost four years old and was established to provide a corporate printing service on a bureau basis using the remarkable Xerox 9700 laser printer.

Scan Laser claims that Syntext is the first complete desk top publishing system to reach the market. In its original manifestation it combined an Apollo Domain supermicrocomputer with a range of laser printers including the high speed Xerox 9700.

Now it can be provided with a lower cost laser printer—the CX—from the Japanese Canon company. It will print at eight pages a minute and the entire package costs about £47,000.

The Wiley system cost around £87,000 and comprises the Apollo workstation, 70 megabyte hard disk, QMS Lasergrafix 1200 printer (based on the Xerox 2700), Tex software and a Mitsui optical character scanner which the company is using to feed text directly from the typed pages into the system.

The first volume to be produced on the system—a 200 page dictionary of medical acronyms—is already in the proofing stage.

It is not a project likely to have made economic sense using traditional publishing methods but John Wiley have used it as a live, practical experiment and training course.

Wiley is not using the system actually to print copies of books; it uses the system to produce either a single, high quality original from which printing plates can be made directly (camera ready copy), or a magnetic tape which the printer can use to drive his phototypesetter. Publishing costs can be cut by up to 40 per cent using these methods, Wiley reckons.

Mr Ferris believes the Syntext system will open new business for Wiley in short run publishing including specialist newsletters; he expects to be publishing at least one journal (Wiley publishes 50 academic and scientific journals at present) using the new system in the next 12 months or so.

Scan Laser bv, Scan Laser's Dutch subsidiary is already using Syntext to print a drug information newsletter for the Netherlands publisher Elsevier.

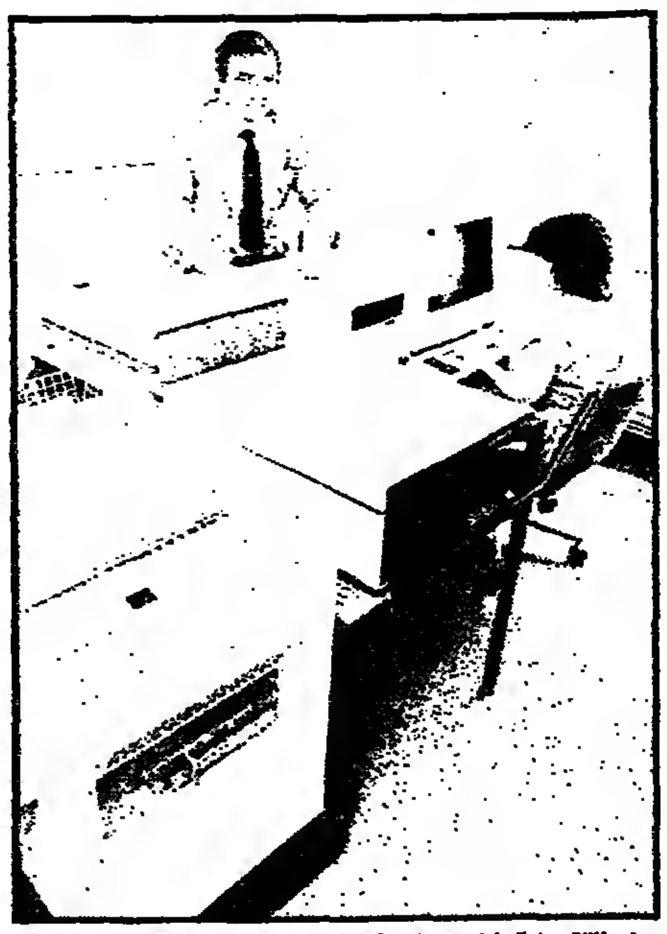
WHEN XEROX looked for a new way to market its revolutionary but commercially unsuccessful "Star" workstation (direct ancestor of the Apple "Lisa" and "Macintosh"), it settled on what it called a "document creation system"—in other words, a desk-top publishing unit.

It used software to couple the Star, with its large, high-definition screen, to a 12-page-a-minute laser printer. The result was a £37,000 package suitable for the production of camera-ready copy combined graphics and text.

"Desk-top" or "in-house" publishing systems have become a new growth area as companies seek new ways of reducing the cost and improving the quality of typeset documents required in limited quantities.

And although what Xerox is attempting with the Star is a particularly interesting development, the U.S. is by no means the leader in the development of these systems.

The articles that follow trace the progress of two British pioneers of desk-top publishing, Scan Laser and Interset.



Dennis Fairs, general manager production, with John Wiley's Syntext system. The Apollo workstation is on the right and the QMS Lasergrafix printer next to it

. . . and the pioneers of the UK computerised printing

TUCKED AWAY in the depths of Somerset is a young British company producing computer systems for typographic work which offer large and medium sized companies the opportunity to establish their own in-house printing facilities for high quality, technically complex, documentation.

Interset Computer Systems of Frome, Somerset, is in the business of extending the capabilities of the electronic office by developing hardware and software capable of converting complex data from a spread of word processors, at the push of a button, into an A4 sized publication of up to 500 pages.

The systems were originally designed for use by jobbing printers and publishers. Interset is now expanding fast to meet demand for its systems from banks, large accountants and stockbrokers wanting to do their own in-house printing of reports and other publications and from manufacturing companies which need technical manuals to accompany their products.

The company is also talking to local authorities, research councils and even a supermarket chain which is looking at an Interset system to produce shelf labelling.

It has just sold a system to Grieveson Grant, the City stockbrokers, and to Rolls-Royce Aeroengines, the latter in an industry where the volume of paper accompanying the product is infamous; the weight of technical manuals involved in the sale of an aircraft is said to be as heavy as the aircraft itself.

Interset's Protext system has the ability to tackle complex tasks such as pagination, indexing, boxes and rules, and selects and sorts typography, with the minimum of operator intervention. It can be expanded to provide three Mbytes of computer capacity, drive up to 16 terminals and a full range of peripherals.

The attraction of the system for in-house printing, says Mr Wyn Thomas, Interset's Technical Director, is that information being prepared for publication in today's office need only be keyed in once—a task which normally accounts for 70 per cent of the cost of typographic work. It also offers significant savings in time and hassle usually involved in sending such work off the premises, and of course security of information—all for a capital outlay of around £35,000, the average cost of the system.

Mr Peter Wedge, Interset's Managing Director, says that in the U.S. at least half a dozen companies and a large amount of money are chasing this market and it is expanding rapidly. Interset is the only British company in the field, but Mr Wedge is confident it will be able to hold off U.S. competition. "We are appreciably cheaper, not least thanks to the dollar-sterling exchange rate, and we are ahead on software development," he claims.

The company has just produced a mathematics software package which it says overcomes many of the typesetting complexities and difficulties traditionally associated with mathematics. It will go on show for the first time at the IPEX Fair at the National Exhibition Centre in Birmingham next month.

Interset was founded in 1977 as an offshoot of a Dutch printing concern, to produce technology which would drive traditional monotype printing equipment electronically. About 18 months ago it was the subject of a management buy-out, after the Dutch parent went into receivership.

Mr Wedge and Mr Thomas took 40 per cent of the equity, a further 40 per cent was taken up by West Investments and 20 per cent by the Dartington Trust.

Since then it has more than doubled its turnover to £1m last year, producing a pre-tax profit of £160,000. This year, it is on target to double turnover and profit again, while also maintaining its policy of spending 50 per cent of turnover on research and development.

A northern office has been established in Sheffield and plans are afoot to establish one in London. Mr Wedge says that exports this year should increase from 25 per cent to 40 per cent of production, notably as a result of the establishment of a German subsidiary in Stuttgart and a marketing tie-up with Hendrix Technologies of New Hampshire, U.S.

Hendrix has been given exclusive rights to distribute Interset's Konnect 2 data transfer unit, which the company claims is now standard equipment in the UK graphic arts industry. It enables manuscript and typesetting information captured on mini-cassettes to be read by virtually all front-end photo-typesetting equipment, word processors and micro-processor-based systems.

Lasers

Infra-red analysis

MANAGERS of power stations and scientists who supervise chemical reactions in industrial processes are among the people who buy the products of Laser Monitoring Systems, a small company in Hull.

Set up by Professor John Bryant and Dr Eric Thomas, two physicists from Hull University, the company makes semiconductor lasers and detectors that analyse infra-red radiation. The devices feature in spectrometers and other monitoring equipment.

The Hull enterprise recently reached agreement with Infra-red Associates of New Jersey under which the U.S. company will sell its products in America.

Laser Monitoring Systems has annual sales of roughly £100,000. Professor Bryant, the chairman of the company, says that the figure could quadruple in the next 18 months solely on the basis of sales to Britain, France and West Germany.

The company's staff of eight (of which four are part-time) is shortly to move into a new science park built by English Estates next to the campus of Hull University. Professor Bryant says that the enterprise will spend about £230,000 on new equipment and other costs associated with the move.

Until now, Laser Monitoring Systems has designed and made its products using the facilities of the university's physics department.

In a typical application for the company's devices, a semiconductor laser mounted on the roof of a power station would beam radiation at gases such as sulphur dioxide or oxides of nitrogen that are emitted from a chimney. The gases absorb some of the light in specific frequency bands. The extent of the absorption is analysed by a set of semiconductor detectors.

From the readings, scientists could work out the concentration of the gases in the plume emitted from the smokestack, providing a way to monitor pollution.

In other applications, companies in, for example, the chemical or metals industries could supervise reactions using semiconductor detectors. For instance, the devices could record the infra-red radiation emitted from a process that turns out steel or some other alloy in a foundry.

Software

Design by computer

ACCORDING TO a recent report from Dataquest, the market research company, interest in the deployment of computer aided design software on the personal computer is growing.

In 1983, says the report, about 5.9m personal computers were shipped and about 3,000 of them were sold with CAD software. By 1988, shipments for CAD/CAM applications could increase to 34,000 as penetration of the PC into the engineering environment gains momentum.

As well as doing some rudimentary design work on his machine, the engineer is also able to use the word processing software to write his reports and can also undertake budgeting, planning and scheduling. More about the report on 01-353 8807.

Energy

Solar power

THE U.S. Department of Energy's Pacific Northwest Laboratory has developed a way of improving a material's ability to absorb light energy. This may lead to more efficient solar collectors.

The process involves a well-known treatment called sputtering. This is where high energy particles dislodge atoms from a "seed" material which are then deposited onto a target. The laboratory has adapted the method to produce a material with a textured surface of red-like protrusions and ridges. This determines how well light is absorbed.

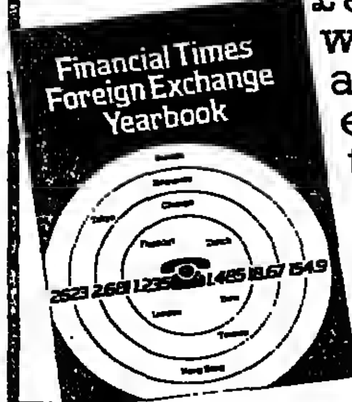
Workers at the laboratory believe that it is a promising technique for solar devices.

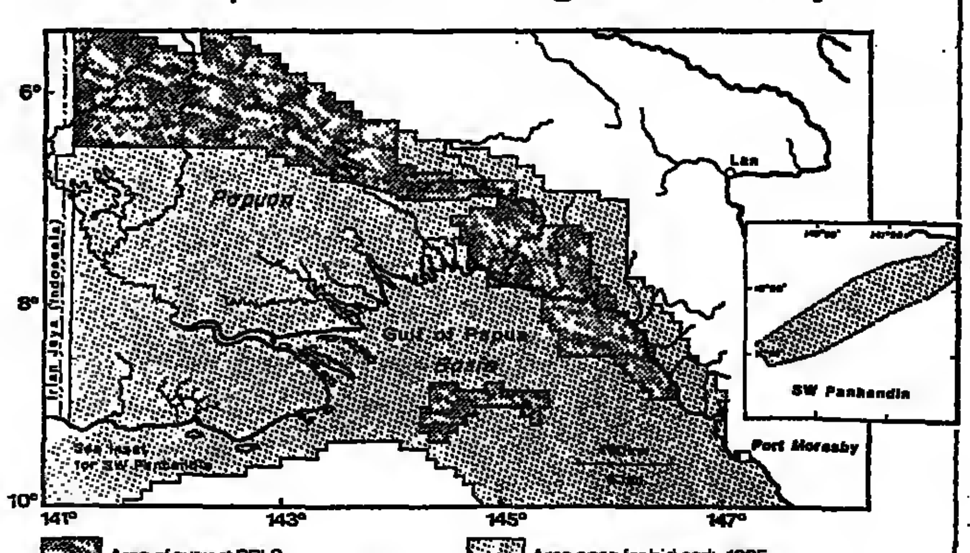
Computers

Pyramid's UK subsidiary

PYRAMID TECHNOLOGY, set up in 1981 in Mountain View, California, to manufacture and market a mini-computer based on the Unix operating system, has set up a subsidiary to market the machine in the UK.

Shipments of the machine, the 90X, began in the U.S. in October of last year. It is a 32-bit computer with virtual memory. More in the UK on 0990 33377.





THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

ICIs' Board structure

A transformation of character and role

Richard Lambert on the changes forced on the UK chemicals group

ICI, ONE of the world's largest and most complex chemical companies, is about to enter one of the most crucial periods in its history. Since the traumas of the early 1980s, the group has nationalised its loss-making commodity businesses, strengthened its speciality chemical activities and expanded its base in the important American market. Operating costs have been reduced sharply and the financial position has been much improved.

But ICI now faces an expected cyclical downturn in demand for commodity chemicals, possibly arriving as soon as the next few months. Can the group continue to prosper?

The future, of course, is unchartable. But an examination of the past provides some help. Since the appointment of John Harvey-Jones as chairman just over two years ago, the character and role of ICI's main board has been transformed. The reasons for these changes help to explain ICI's problems during recent years, and its hopes for a much better performance in the coming decade.

With hindsight, it is clear that ICI reacted much too slowly to the changes in the world's economy which followed the oil price upheaval in 1973. Although the company made efforts to curb its costs and to grow in non-commodity products, it continued to invest heavily in large bulk chemicals plant on the assumption that growth would continue on well established trends. As a result of this mistake, ICI went into the red for the first time in its history during the second half of 1980.

The paradox was that although ICI's senior executives were often outstanding individuals, they seemed unable as a team to produca outstanding results. A good number want o nto distinguished careers in other companies: men like Sir Rowland Wright at Blue Circle, Lord Pennock at BICC and Sir William Duncan at Rolls-Royce. But ICI itself was not seen as a particularly well managed company.

The explanation, at least in part, is to be found in history. Lord McGowan was in at the start of ICI in 1926, and was not squeezed out as chairman until 1950. Even today, the memory of this autocratic figure seems to haunt senior ICI men. His pretege, Sir Paul Chambers, ran the company from 1960 to 1968 and is also part of its folk myth. "We ware determined that never again would anyone be so dominant for such a lon gtime," says one of today's directors.

In reaction to these strong chairmen, ICI moved towards a consensus style of management, in which the chairman's role was limited by all kinds of checks and balances. Evidence of this is the fect that the company saw four different chairmen durin gthe decade of the 1970s—and not as a result of any palace revolutions.

The hierarchical system was such that someone who joined the company as his first job (which was the case for most board members) could just about make it to the main board by his early fifties. He would then have to do a few years as a director and another few as a deputy chairman before he could have a shot at the top job—and the retirement age is 62.

Elections

"It actually works out mathematically that if you've got all those layers of management, then you tend to get chairmen who run out of time," says Harvey-Jones.

What further weakened the power of the chairman was that elections to board membership, and to the job of chairman and deputy chairmen, were all made by a democratic and secret vote. This meant that the chairman had no idea who his successor was going to be.

The democratic process also shaped the character of the board as a whole. "We usually selected someone on a unanimous basis," says Harvey-Jones. "Inevitably, I suppose, the guy tended to be chosen partly because of his similarity to the group."

The board's freedom for manoeuvre was limited in several important ways. "The way in which wa organised ourselves tended to mean that each of us looked after bits of the corporation—and the interests of the corporation as a while sort of fell through the middle," says Harvey-Jones. "We had managed to get ourselves into a frame of mind where each of us believed that if we looked after our bit to the best of our ability, we would automatically be improving the totality of the business—which of course is not true."

Each director usually had three responsibilities, covering a head office function, a product group, and a geographic territory. Directors were held respinsoble for the profitability of their business empires, and they would represent the interests of these to the board as a while.

This proved to be a handicap in a period when the market was changing rapidly. For instance, if the petrochemicals group wanted to make a big new investment, it would have to make its case to the responsible board director. If he accepted the idea he would then become an advocate for it, and attempt to sell it to board colleagues who would have a much less detailed knowledge of the industry.

According to Dr Charles Reece, an ICI director since 1979: "If a policy group and its advisers demanded something, it was very difficult for anyone else to go against them."

This approach helps to explain some of ICI's investment decisions in the late 1970s. "The operating units were interested in asset growth through green field investment," says Harvey-Jones. "The way the company was organised tended to feed that natural inclination."

Individual board members would involve themselves in matters of great detail within the operating units for which they were responsible, but it often seemed that only the chairman and the finance director were in a position to consider the interests of the company as a whole.

These problems did not creep up on ICI out of the blue. One former director recalls writing a detailed critique of the board organisation as far back as 1978, and others emphasised that changes had been evolving over time before the present chairman was appointed. But it was the shock of 1980 that really forced the matter—and which also got Harvey-Jones, who was not the obvious candidate, into the top job.

"The chairman was chosen not because he was better than others but because there was a belief that he could manage change efficiently," says Reece. This view is echoed by Denys Henderson, a director since 1980. "John's great contribution is as an agent for massive change. He is receptive to ideas and a good catalyst."

Harvey-Jones was appointed chairman and principal executive officer, a title which was evidently the subject of some debate. Reece explains: "A chief executive runs all the businesses. That we would not accept. A principal executive is someone who manages the board."

John Harvey-Jones: ". . . an agent for massive change"

Hravey-Jones says he sees his prime responsibility "as being the management of the board." Among other things, this means deciding the issues which the board will discuss, and how it will discuss them. It also means taking responsibility for the composition of the board.

To make this possible, he asked for—and was granted—a number of new powers. He has the right to recommend candidates of his choosing to become members of the board. He has the right to make recommendations about the remuneration of board directors for approval by a salaries committee of non-executive directors. This, he explains, is "the reward and punishment system by which you motivate people."

Harvey-Jones has been granted time to do the job. Provided he performs, he will be chairman for five years, longer than anyone since Sir Paul Chambers. But if things go badly, the board can get rid of him without compensation after three years.

With this authority under his belt, a first major step was to reduce the size of the board to manageable proportions. In the 1970s, there were a dozen or more executive directors: today, there are eight, including the chairman.

"You would plainly find it very difficult to run the company with less than, say, four executives. And if you've got more than about eight, then the difficulty of remaining in each others' minds and the dangers of having sub-groups increase almost logarithmically," he says.

Layers of management have been removed throughout the company, starting at the top with the deputy chairmen, of whom there used to be three. Jobs have been pushed down the hierarchy, with a view to leaving people at the top with room to concentrate on the big picture.

The role of individual directors has been changed substantially. "We decided that the primary responsibility of board members was for the future of the corporation, rather than for the constituent bits. When directors are responsible for a territory or a business, their job is not to make that portfolio grow — it is to locate the activity within the ambitions of the corporation as a whole."

This means that directors are no longer responsible for the profitability of the businesses in their portfolio, and are not required to act as board-level advocates for them. Instead, chief executives of the operating units and their aides can now present their arguments in person to the executive directors or to the board as a whole.

This puts the operating unit executives in a much more exposed position.

Back at board level, a number of functional responsibilities, such as planning or engineering, have been discarded.

The big difference in practical terms is that the executive directors now spend a great deal of their time talking to each other about where ICI is going. They still have a lot to prove. Although the company's profits have recovered substantially, part of that stems from changes which were under way before 1982 and another part stems from a more helpful economic climate.

"We've been doing the easy stuff in the last few years," says Henderson. "We haven't been in the big risk game — the game of major new investments — for the past three years."

The company has a much lower cost base and a much improved cash flow. Its directors now have to set a strategy for the 1990s and beyond.

Taking the sting out of redundancy

MANY MANAGERS do not realise that they may miss out on redundancy payments if their company goes into receivership, according to a booklet just published by the British Institute of Management.

The guide, which is aimed at taking the sting out of redundancy, points out that certain payments in addition to statutory redundancy are protected by law and can be recovered by applying to the Secretary of State for Employment.

They include any arrears of pay owing for a minimum of one and a maximum of eight weeks and at a rate of np to a maximum of £145 per week; any outstanding holiday pay up to a maximum of six weeks or the contractual entitlement in the previous 12 months, whichever is less, and np to a maximum of £145 per week; payment in lieu of statutory notice up to a maximum of £145 per week; and any outstanding industrial tribunal award.

Any other payments however—for example, for tha balance of contractual notice over statutory notice—are not covered in this way and individuals have to join the list of unsecured creditors.

Redundancy the guide's introduction suggests, is no longer seen as a stigma reflecting on the individual concerned. "No redundant manager today should feel obliged to hide the true situation from his family and friends by getting into his suit each morning and going t the station at the same time to travel to a job which no longer exists." Nevertheless, the same sort of discipline and effort required for a normal working day should be put into the search for a new job.

Tha first part of the guide deals with the legal rights and financial position of a manager when faced with redundancy or who feels there is a risk of this misfortune. The second looks at opportunities for starting afresh and contains o useful list of organisations offering vocational guidance and career counselling.

The guide, however, gives only a brief outline of the subject and should be supplemented by professional advice which will take into account individual circumstances.

** Guidelines for the Redundant Monager, by Sue Webb, is available from Professional Publishing, Alhambro House, 27/31, Charing Cross Road, London WC2H 0AU. Price £6.25 inc. post or £4.95 to BIM members.*

Tim Dickson

Business Travel

WHEN the tourists arrive the business community stays awsy seems to be the general rule of big cities. As a result many five star and de luxe hotels actually reduce their prices in the high summer. The New York Inter-Continental, for example, is offering a summer rata of $125 single or double (which is $40 off the double rate) and ona bedroom suites for $200 ($100 off).

HERTZ has introduced free drop-offs on European rentals starting anywhere in Belgium, France, Germany, Luxembourg and the Netherlands and ending in Amsterdam, Brussels, Dusseldorf, Frankfurt, Paris and Luxembourg. Free drop-offs are already available within 19 European countries under the Hertz Business Class scheme.

HILTON International's newest link in its chsin, the Tokyo Hilton, is on schedule for a full opening on September 1. The S-shaped building has 38 storeys and is set in the Shinjuku district. Hilton claims tha hotel will have some of the largest guestrooms and suites in Tokyo

WORLD AIRWAYS' contribution to the health kick is the installation of an audio in-flight exercise programme specially designed "to combat the losing race between the biological clock and aircraft arrival times." Now World transatlantic passengers from London and Frankfurt can listen to 15 minutes of isometric exercise instructions and 15 minutes of chat about relaxation techniques. If that does not put you to sleep nothing will.

STATE OF MICHIGAN
IN THE CIRCUIT COURT FOR THE COUNTY OF WAYNE

In Re The Petition of : Civil Action No. 83-328156 CZ
COMERICA INCORPORATED : Hon. Harry J. Dingeman, Jr.
a Delaware corporation

NOTICE OF PROCEEDING TO QUIET TITLE AND FOR DECLARATORY RELIEF RELATING TO CERTAIN SHARES OF BANK OF THE COMMONWEALTH

On September 30, 1983, Comerica Incorporated ("Comerica"), a Delaware corporation, purchased certain shares of the common stock of the Bank of the Commonwealth, a Michigan banking corporation. Original Certificate numbers 75078, 75260, 75262, and 78389 representing the purchased shares of Bank of the Commonwealth common stock (the "Original Certificates") were certified to be lost or destroyed subsequent to April 4, 1977. Replacement certificates were issued on December 21, 1981 for the Original Certificates and following purchase were registered in the name of Comerica. Comerica has commenced a civil action in the Wayne County Circuit Court, Detroit, Michigan, United States of America (the "Court"), Case Number 83-328156CZ, seeking quiet title, declaratory and other related relief, including judicial confirmation as to the loss, destruction and cancellation of the Original Certificates and a declaration that the subject shares are evidenced solely and exclusively by the replacement certificates (the "Action").

The foregoing is a summary of the Action and reference is made to the files and records of the Court for a complete description of the Action and its status. Interested parties may examine all documents filed in the Action at the offices of Comerica, Corporate Development Department, 4th Floor, 211 West Fort Street, Detroit, Michigan 48226, United States of America.

Persons who claim any ownership interest in the Original Certificates or who claim to be interested parties with respect to the Original Certificates and who wish to assert and prove such interest, may file in the Action a sworn Claim of Interest (the "Claim") setting forth the full caption of the Action and containing the name, address and telephone number of the person asserting the interest; a description of the interest, the date on which the interest was acquired and from whom; the manner in which the interest was acquired and the consideration paid, if any; and attaching copies of all documents evidencing the alleged interest ("Supporting Documentation"). Any Claim and copies of all Supporting Documentation must be filed with the Clerk of the Court, Wayne County Circuit Court, 201 City-County Building, Detroit, Michigan 48226, United States of America. A copy of the Claim and Supporting Documentation must be served upon Comerica, Inc., at the address listed above.

Any Claim and Supporting Documentation must be filed on or before December 14, 1984 to be considered by the Court. Persons not filing a Claim or otherwise asserting an interest in the Original Certificates on or before December 14, 1984 will be barred from subsequently asserting such interest.

By Order of the Circuit Court for the County of Wayne,
Detroit, Michigan, United States of America
The Honourable Harry J. Dingeman, Jr. presiding

Dated: March 30, 1984

CONSTRUCTION CONTRACTS

Over £17m for Balfour Beatty

BALFOUR BEATTY has been awarded two road contracts. The first is a £13m contract from Lothian Regional Council for the Sigbthill 4.7 km long dual carriageway section of the Edinburgb city bypass. Fourteen structures are to be built including bridges over a railway and a canal and the work will be completed in 30 months. The second contract, from Tayside Regional Council, is for a new 2.7 km long dual carriageway in Dundee valued at £2.75m.

Industrial contracts awarded include construction of plant foundations for Btue Circle Industries at Dunbar valued at £453,000 and a £102,000 contract for BP Oil at Grangemouth for the repair of Hawes Pier. Fife Regional Council have placed a £646,000 contract with the company to build a reinforced concrete fresh water reservoir of 18,000 cu metres capacity at Glenrothes.

Strathclyde Regional Council bas placed a £200,000 order to lay a 600 mm diameter pipeline 1 km long between two reservoirs in Lanarksbire to maintain domestic water suppty to many bouses during the drought conditions now prevailing

Further contracts from Peterbead Harbour Trustees for road reconstruction and from British Airports Authority for lighting improvements at Aberdeen Airport total £110,000.

Shepherd wins £11m

SHEPHERD CONSTRUCTION has won contracts nationwide worth a total of over £11m. Phase Two of the British Broadcasting Corporation regional beadquarters in Newcastle upon Tyne, with a contract value approacbing £3.4m is scheduled for completion in October 1985. There are two store refurbishment contracts for British Home Stores. One in Frederick Street, Edinburgh, is worth over £2m, with completion programmed for October. British Home Stores' Basinghall Street, Leeds store is being refurbished under a contract approaching £1m. Completion is again scheduled for October.

In Hemel Hempstead a contract worth over £2.5m for e mechanical sorting office and associated buildings for the Post Office will be completed in September 1985. A £1.4m contract to extend and alter existing school buildings at Ashby Road School, Daventry, has been awarded by Northamptonshire County Council. Contract completion date is March 1986. Refurbishment of public areas in the Quay House office block, in Manchester, will be carried out for Municipal Mutual Insurance.

£16m Taylor Woodrow development

A £16m contract for an office building in Ealing, West London, has been awarded to TAYLOR WOODROW CONSTRUCTION. The work has been placed by Taylor Woodrow Property Co, developers of the site in West Gate, near the Hanger Lane gyratory system. The contract is dne for completion in March 1986, and calls for an eight-storey building with a central atrium and penthouse offices. It will provide 162,500 sq ft of fully air-conditioned office space and parking for 100 cars.

The structure will bave a reinforced concrete frame on piled foundations with structural steelwork to the penthouse and roof level plant room areas. External cladding will be generally curtain walling with asphalt covered main roofs, a metal clad penthouse roof and a glazed atrium roof. Work externally inclndes landscaping, paving, drainage, car parking and an access road.

*

Australia Bank refurbished

KILLBY & GAYFORD has a £1.4m contract for refurbishment, including installation of two lifts, at 6-8, Tokenhouse Yard, London beadquarters of the National Australia Bank.

Tarmac wins £6m orders

Two projects in Yorkshire bead a list of contracts, together worth more than £6m ewarded to TARMAC CONSTRUCTION. In South Yorkshire work on bar processing facilities at the British Steel Corporation's Roundwood plant, at Botherham, is valued at £1m, and in North Yorkshire a distribution depot for the Kwik Save Discount Group, at Sherburn-in Elmet, is also valued at £1m. Other contracts include improvements to 74 bomes at Hednesford and Norton Canes, Staffordshire, for Cannock Chase District Council (£888,000), and replacing a factory roof at Southampton, for BAT (UK and Export) (£227,000). A number of contracts have also been awarded to Tarmae Cubitts — part of Tarmac Construction. They include extentions and alterations at Kingsly Hospital, Bideford, Devon, for the South-West Regional Health Authority (£923,000); industrial units et Newport, Gwent, for the Welsh Development Authority (£638,000); external repairs and painting 320 bomes at Huyton, Merseyside, for Knowsley Metropolitan Borough Council (£620,000); and work on floors and roof at Halewood, Merseyside, for the Ford Motor Company (£545,000). Tarmac Refurb, has contracts for alterations to the out-patient department at Birmingham Skin Hospital, for the West Birmingham Health Authority (£245,000), and fitting out premises at the Yorkshire Bank, Redditch (£200,000).

John Mowlem keeps busy

Civil Engineering contracts in the South of England and South Wales together worth £3.6m bave been won by JOHN MOWLEM and CO. In Hertfordshire, Mowlem is carrying out the first phase of the £15m Stanstead Abbotts by-pass. Following filling-in lakes and former gravel workings, the contract involves construction of about 900 metres of reinforced embankment using materials won from a deep cutting at the eastern end of the scheme. This work reqnires diversion of the A414 onto a new bridge over the cutting. A trial section of embankment is being constructed and is being fully instrumented to enable the bebavior of the underlying bighly compressible material to be monltored. Vertical band drains are being installed by joint venture of Soil Mechanics Foundations, a Mowlem subsidiary, and Bauer (UK). The scheme includes a sewer acess portal and six culverts in the length of the embankment. For Hertfordshire County Council, the work is worth £1.6m and the contract is due for completion in July 1985. In Hampshire, Mowlem is undertaking stage 1 of the extension to Romsey sewage treatment works under a £1m contract from the Southern Water Authority. Completion is scheduled for June 1985.

In London NW1 Mowlem has won a £500,000 contract for foundation work at the new British Library site. The work involves installation of 119 steel columns and base plates, the columns weighing up to 15 tons. Each column is being installed within an existing two metre diameter shaft exteoding approximately 20 metres down from ground level to the top of a previously installed bored pile. Tolerance for the installation of a base plate is plus or minus two milimetres. The contract is for the Property Services Agency of the Department of the Environment and under Laing Management Contracting. Work has started for completioo in October. At Angle Bay, near Pembroke, Dyfed, Mowlem has a design-and-construct contract worth £457,000 to repair a jetty for BP Oil. This follows emergency repairs carried out by Mowlem last year when the jetty was damaged by a tug. Work has started for completion this autumn.

*

JOHN LAING CONSTRUCTION has won a cootract for the British Airports Authority's new Terminal four at Heathrow. Valued at £1.35m it involves fitting out the London Transport station and ticket hall, and includes provision of mechanical and electrical services. Completion is due in June 1985.

APPOINTMENTS

French Kier senior posts

FRENCH KIER HOLDINGS has appointed as directors of its wholly-owned subsidiary company Kier International from September 15: Mr A. Bloomfield, with the group for 19 years, and currently resident in Trinidad will become responsible for contracting in the Caribbean; Mr D. J. Eastwood, in the group for 20 years, and currently resident in the U.S., responsible for contracting interests there; and Mr M. B. Jardine, in the group for 21 years, and currently resident in Hong Kong responsible for contracting interests there.

*

Mr Ian Wilson, former Standard Motorist Centres' marketing director, has been appointed director and general manager of VREDESTEIN (UK), agricultural and passenger car tyre manufacturer based in Wellingborough.

*

Mr Robin C. G. Chesterman is to become part-time member of the EASTERN ELECTRICITY BOARD for three years from September 1. He is managing director of Delta (Manganese Bronze), a wholly-owned subsidiary of Delta Group. He is also chairman of the Manpower Services Commission area manpower board for Norfolk and Suffolk and vice-president of the East Anglian Engineering Employers' Association.

BRITISH AEROSPACE DYNAMICS GROUP and PLESSEY UK has appointed Mr David Wilson as managing executive of their existing arrangements for joint collaboration in ships weapon systems management for the overseas market. He was head of warship marketing with British Shipbuilders. Prior to that he was managing director and previously sales director of Vosper Thornycroft UK.

*

Mr Stanley Parker has retired as chairman of the FENNER power transmission division. He is a member of the holdings board and a director of group associated companies, James Dawson and Son and Fenner Sales and Service. He is succeeded as chairman by Mr Nigel J. Forsyth, who joined the group in 1980. He has spent the past four years as managing director of Fenner India, and joined the holdings board last November.

*

Mr Tim Furse has been appointed marketing director for the NORWICH BREWERY COMPANY. He was a marketing manager with URM.

*

Mr Jeff Larcombe has been appointed regional director of the EROS MAILING and merchandising company's Midland operations at Erdington. He was general manager.

THE ARTS

Turandot/Covent Garden

Max Loppert

The Royal Opera season opens with the new production of *Turandot* (sponsored by Norwest Holst) that the company first showed at the Los Angeles Olympic Arts Festival last July. It was (according *to report*) a triumph there; and it was a triumph once again on Saturday evening—I cannot recall a Covent Garden opera premiere of recent date marked by such prolonged shows of audience enthusiasm. Justified enthusiasm, indeed: this is Puccini's last opera largely as one always wants it to be, thrillingly festive, exuberant, and colourful in its stage and musical direction, and well, if not ideally well, sung by almost all its principals.

Turandot is the Puccini opera above all others to sharpen both admiration for and misgivings about its composer. In it, even in the incomplete state in which we know it, his theatrical arts reach their highest point of sophistication, brilliantly judged calculation, and beautiful orchestral and vocal combination. In it, too, at the core of its exotic plumage and fabular structure there is found the Puccini ideal of woman, here taken to its repellent conclusion in the shape of the "little woman" who wants nothing more than to die under torture for a man's unrequited love, and of her frigid "*alter ego*" who needs no more than a man's kiss to be warmed into loving submission. Any *Turandot* production deals, whether consciously or not, with the central Turandot problem — that of reconciling the spectator's pleasure and distaste in a theatrically workable form.

The Royal Opera producer, Andrei Serban, and designer, Sally Jacobs, have come up with a solution at once so ingenious, so pleasurable to follow, and so brilliantly practicable that one almost wonders why no-one had tried it earlier. The stage becomes a kind of oriental Globe Theatre, the chorus ranked on its supper balconies; within the central arena there unfolds a telling of the tale shaped by the theatrical arts of the Far East—Kabuki, Peking Opera, and Chinese acrobatics supply the borrowings that this amateur detected most easily, but on doubt the Serban-Jacobs team has ranged far more widely than that.

Huge ceremonial masks and floats, wierdly decorative irruptions of dancers in formation (Kate Flatt's choreography plays a notable part in the larger effect), and costumes gaudily simple (and superbly cut) all lend themselves to the scheme of vivid ritualised gesture against an austere background which the producer develops—a scheme broken at chosen key points by expressions of Puccinian romantic warmth. The magpie approach exactly mirrors the composer's own method of harmonic and textural plundering; moreover, it provides a context of barbaric fantasy in which the emotional and psychological extremes of the plot and its contrasts of violence, passion and *commedia dell'arte* capering can be contained. (The three Masks have seldom been less tedious.)

I imagine there may be some members of the audience disturbed by Serban's liberal reinterpretation of this or that detail; Turandot's long, silent entrance, and the returne of the dead Liù's cortege at the end will no doubt be two such points of dispute. I find it impossible to imagine anyone not stirred and elated by the imaginative boldness of the spectacle, its marriage of economy and flair, its way of striking new flashes from an already high-tinted score. When one remembers the dreary long years of the previous Covent Garden *Turandot* (with only the special qualities of a Shuard, a Nilsson, or a Mackerras to redeem it), the welcome for the new one must be unstinting.

It certainly appears to strike fire in Colin Davis, not always a Puccinian of the impassioned, broadly sweeping approach shown on Saturday—some of the tempos (such as in the "Ho una casa nell Honan" reverie) verged on the over-broad, yet Sir Colin's obvious in the richness of se scoring made up part of the difference, and the first-rate quality of orchestral and choral performance made up the rest. The text used of the ending is the familiar "shortened-Alfano;" of the newly rediscovered passages of Alfano's original *Turandot* compiation one regrets only the finale-with solo-voices, which would be entirely *in keeping* with the riotous conclusion to Serban's spectacle.

Gwyneth Jones in the title role is at her best. Which is not to say vocally unsurpassable: notes emerge hugely powerful but often unsteady, and very seldom joined into a line; phrases are often broken for breaths; Miss Jones is far from being one of Nature's Turandots. What she is, as ever, is an operatice actress able to unleash and ride out intense, complex emotions, to hold an audience transfixed even where some of the sounds emittd may hav one wishing otherwise.

Placido Domingo, though top notes cost him far more evident effort than they used to, is a magnificent Calaf, ardent, tender, totally convincing. Helen Donath, not a born Liù, makes her mark through exquisite musicianship; Gwynne Howell's Timur is noble. The only blot on the cast—which includes excellent contributions from Kim Begley, Laurence Dale, and Robert Tear as an Emperor Altoum riding down from the flies on an Imperial Chinese Pillow—is a baritone Mask so dry and dull of voice that one wonders how on earth he came to be chosen. Not enough, though, to spoil a splendid evening.

Alastair Muir

Gwyneth Jones and Placido Domingo

Oberto/Radio 3

Andrew Clements

Saturday afternoons on Radio 3 this coming autumn and winter are to be devoted to Verdi. All the operas are to be broadcast in chronological order; when a work exists in two versions the original will be heard on Saturday and its reworking during the following week. Studio recordings will supplement what is available on disc, and beginning the series was a specially mounted performance of *Oberto, Conte di San Bonifacio*, with the Scottish Opera Chorus and the BBC Scottish Symphony Orchestra joining forces under John Matheson.

Verdi wrote *Oberto* in the winter of 1837 to 38 when he was 25, and it was first performed in Milan in 1839. The libretto was the work of Temistocle Solera, but no amount of tinkering could disguise what is basically a rather silly plot and short-winded text. Set in the year 1228 (the libretto is quite specific) at the Castle of Ezzelino da Romano, it's a tale of male duplicity and the defence of a maiden's honour which ends in the melodramatic death of Oberto, the Count who has newly returned from exile, and the despair of his wronged daughter Leonora.

For all its shortcomings, the plot contains a number of thematic threads that are characteristic of the mature composer; indeed, the surprise is how much of *Oberto* is identifiably the work of Verdi. The influences may still be palpable, but in a matrix of lightweight Bellini are emhcdded nuggets of individuality which proclaim a composer of undoubted if still partially unfocused dramatic skill. There is an urgency to some of the writing which is most attractive, and a number of set pieces—a big-boned aria for Leonora, and a quartet for the principals particularly—that deserve more than the obscurity to which the rest of the work condemns them.

The BBCs production did a most valuable job. Mr Matheson always kept the action on the move, and obtained clean, alert singing and playing from his chorus and orchestra. The part of Oberto himself was taken by Malcolm King, strong and appropriately noble; the caddish Riccardo was Rowland Sidwell. Linda Finnie took what is probably the most grateful part, that of Leonora with evident relish. An interesting beginning to an ambitious *project*.

Architecture

Colin Amery

Insensitive progress

It is doubtful if many people have heard of the Reverend Henry Moule of Fordington in Dorset. He lived from 1801 to 1880 and is best described as aradical parson and an inventor. He has come to my attention because a Victorian edifice erected to his memory is threatened with demolition. It is doubtful whether we would care today for the fierce evangelism of the Reverend Moule but we could not fail to be impressed and moved by the care that he and his wife took to minister to the parishioners of Fordington, even during the cholera outhreaks of 1849 and 1854.

Fordington joins on to the county town of Dorchester, its high street climbs up on a curve from the river to the parish church and green. At the centre of this most agreeable village stands St. George's church thta goes hack to Norman times, a large and handsome Victorian vicarage, and the Moule Memorial Coffea Tavern—a redbrick pleasing example of late Victorian architecture surrounded by stone walla sprouting valerian. Immediately opposite *this* memorial to devout temperant philanthropy are several heantiful old village houses.

The scene encapsulates the *history* of a place that has grown slowly, been improved by the single-minded efforts of a remarkable Victorian vicar and has now been recognised by the Dorset County Council as a part of the Dorchester Conservation Area of Outstanding Architectural and Historical importance. This accolade is not lightly won and, like all honours, carries with it a serious responsibility.

This is why it is sad to see an unholy alliance of the property developer and the Church of England doing what they can to wreck the noble memory of Henry Moule. What may happen in Fordington is, in microcosm, what is happening to so many towns in the Kingdom. All the conservation movements in the world do not seem to be able to ensure that new developments and changes to old places are *visually and aesthetically* of at least the same standard and preferably an improvement on what went before.

In this Dorset town the proposal to demolisb the *Memorial* Institute and replace it by five houses of indifferent architectural quality has, for the time being, been turned down by the local authority. However the developer waits in the wings while parking a portable shed in front of a now neglected structure.

Local residents think that the Institute—all red brick, verandahs, coloured glass, and finial tiles—could be converted into homes or, better still, be used to house the Thomas Hardy Society with all their memorabilia and papers. Although Dorchester has a good County Museum, Hardy's study and some of his furnishings are confusingly shown among earlier archaeological Dorset remains.

A centre for the quiet perusal of Hardy, who was a friend of Henry Moule, would seem to be of more use to Dorchester than yet more houses that could easily be built elsewhere.

The church of St George was expanded by Henry Moule and added to again in the 20th century. It is big and beautiful. You enter under a Norman tympanum which showa a battle scene and St George in a style not unlike that of the Bayeux Tapestry. Inside the church is architecturally *strong and has* good Morris windowa, remarkable mid-18th century rococo screen doors and a strange pair of Polynesian looking chairs that belonged to Baring-Gould, the author of "Onward Christian Soldiers." It is worrying indeed to discover that there is a proposal to divide off a large part of the west end of this fine church into a meeting space with double glazing and a suspended ceiling.

How curiously insensitive the Church of England is to aesthetic matters. I know that the argument is always advanced that the Church must move with the times to advance its eternal truths but it is hard to believe that the suburbanisation, division and reordering of so many churches is the way to enrich the spirit. If the proposals at Fordington all go ahead in the space of a few years one small English village will have lost the intact beauty of its parish church, the memorial Institute to a remarkable vicar, the vicarage (already sold) and the undisturbed beauty of the *churcyard* where a new development of flats already inturdes.

It is easy to dismiss these objections as simply antipathetic to "progresa' but the point remains *that* it *is* possible to alter and adapt nur surroundings sensitivity. It is difficult and time consuming and depends on the development of visual skills that see beyond short term economic gains and understand the strength of forces of history.

Henry Moule both preached the gospel and invented the earth closet and understood that human progress depends on a marriage of the spiritual and the physical. Simple beauty of places is as good a spiritual blessing as any amount of new domestic cosiness in houses or churches. Think again Fordington . . . .

*

At the Building Centre, Store Street, London, WC1, until September 7 there is an important architectural exhibition called *Classical Survival Classical Revival*. Unfortunately it opened bang in the middle of the holiday season and so not enough people have seen the work of both the older practitioners of the classical tradition in thet 20th century in England and some of the younger noea. Several firms who make classical elements and still carve stone or wood are also displaying their talents at *the* Building Centre for one more week, closing on Friday.

The Playboy of the Western World/Riverside Studios

Michael Coveney

"One must bave reality and one must have joy," wrote J. M. Synge of the modern drama in his 1907 Preface to this entrancing play, and Lindsay Anderson's revival—the most spectacular justification so far for the United British Artists project—which has just arrived in London from the Edinburgh Festival delivers on both counts.

We bave reality in the sense that we care about the characters in the remote Mayo shebeen, believe in their several emotional predicaments; and *we have joy in* the *tactful* execution of the farce surrounding the sudden local hero, Christy Mahon, who bas laid his da low with a loy and finds fame as a glamorous murderer.

When the National Theatre attempted the play some years ago, the Synge song hit lots of wrong notes, ended up sounding quaint. Here, tha beauty and rhythm of the language ia fully honoured. Frank Grimes's Christy is a jaunty opportunist who dispels initial suspicions of his being a begrimed tinker from across the glen with an alert response to the attentions of Pegeen Mike and the Widow Quin.

The supposed patricide is all the more powerful because of the resonance Anderson's cast find in the parental links (one is forcefully reminded, in fact, of the best Anderson/David Storey Royal Court collaborations): Old Mabon turns out not to be a ridiculous codger with a gasb on his pate but, in the figure of Robert Keegan (much valanced since I saw him last) a determined and credible reason for Christy baving picked up the loy: he had dooe so in reaction to the suggestion be should marry the old Widow Casey who suckled him.

Christy has, in fact, leapt from one frying pan into another, and he still finds a widow crackling away. The difference in thia village is that Nichola McAuliffe's Quin is a young voluptuary who hurled ber children and destroyed her man, not the usual comical hag. And Carolyn Pickles's Pegeen Mike—the third of three really ontstanding performances—is a direct and obviously sensual woman for whom mopping up the poteen and settling down with her second cousin Shawn Keogh (Kevin Lloyd) will not suffice.

What the arrival of Christy does is to inject a sense of possibiilty into an enclosed community. Anderson's direction, as good as anything he has done on stage for some years, releases so mucb that is tactful and rich in the play. Relish, for instance, the penultimate long pause as the light darkens nn Di Seymour's splendid public house of sluping thatched roof: Pegeen's father remarks that "we'll have peace now for our drinks." More than the light has dimmed, and Pegeen's final cry is not a tonch too absurd.

Christy is also an agent of his own unexpected dream: ha opens the second act polishing boots and declaring that, yes, a place to spend a life might be here. Frank Grimes's subsequent success on the strand in the sports gathering is really an achievement of someone who has acquired confidence. And the quality of confidence is one not only articulated by this production, but also embodied in the play itself.

The details of the social activity—old Mahon's "death," the spying of a tinker in a ditch, Kate Cassidy'a wake (with its later bumorous repercussions), the beady censoriousness of the unseen Father Reilly: all are beautifully woven on a quilt of poetic conviction and flashing colour.

Scenes from Faust/Edinburgh Festival

Michael Coveney

Expressing disappointment last week with the Berliner Ensemble's cool and monochrome *Galileo* I somewhat patronisingly opined that some reparation might be made with *Faust*. The news is better than that. The drama programme of the 1984 Edinburgh Festival was ignited in a final blaze of glory in the King's Theatre on Friday night with Horst Sagert'a unforgettable prodnction, a veritable medieval pbantasmagoria, of Goethe's *Urfaust*, that is Part One of the great dramatic poem based on the Göchhausen transcription with the nsual additions of Valentin's murder and the Walpurgis' Night.

The translation system was inoperable until half way through the four-hour spectacle wbich gave even non-German speakers like myself a golden opportunity to savour the beauty, variety and lyricism of the language. It also gave others a chance to stomp about in a Pbilistine rage. An extended Prologue, which included other Goethe fragments nf *Prometheus* and *Pandora* (Faust's daughter, doubled by the *stunning Corinna Harfouch* with Margarete of the play proper), was difficult to follow but not to sit through.

The Ensemble's first hrush with Goethe—this production *only dates from March*—reveals the company in a new and totally unexpected light. All the elements missing from *Galileo* are bere in abundance: sensuality, stunning variations of pace and stage temperature, genuine artistic and painterly vision. Horst Sagert bas a background in painting and fina arts. His designs have a dream-like surrealisf: medieval muslin turrets banging in black space, interiors of melting white gauze which intensity to burnished orange for the erotic, *trance-like* representation of Margarete's discovery of the casket Faust and Mephisto bave bidden in her bedroom.

And then the costumes. From the outset, the spirits of good and evil are embodied in a cborus of Blake-ean white and black angels sprouting huge feathery wings. They are led by Arno Wyzniewski'a wonderfully sinister and sexually threatening Mepbistopbeles. Lank-haired, black-garbed and white-winged, bia pursuit nf Faust's destruction is as savagely articulated as is Faust's own quet for nnobtainable bliss.

Hermann Beyer's Faust is embarked on an adventure which is not only, in respect of the gorgeous staging, convincingly geographical but also intellectual and sensual. Hia long metaphysical dialogua with Margarete is entwined in a dance of vengeful copulation.

The music throughout, arranged by Reiner Bredemeyer from sources as diverse as Bach, Mozart, Satie and Ives, seems to me a work of genius.

The same goes for the lighting, which is barsh and metallic fnr the crude horseplay of the Leipzig cellar (with a few Black Theatre luminous tricks thrown in), caressingly voluptuous for the romantic scenes, and magically evocative for sucb epic set pieces as the funeral in the *cathedral and* the flight througb the countryside.

The timeless, fairground staging of the Walpurgis' Nigbt exceeds any imagining *I* had ever entertained for it. *(I should state* bere that *I* bave nnly seen a couple of inadequate fringe versinns of the *Urfaust* althougb I beard good reports of a recent effort in Cardiff).

Finally, Margarete, so remarkably and powerfully played by Corinna Harfouch, is abandoned by her destroyers in wooden, coffin-like prison cell. It is just one more vision in an evening nf resplendent imagery, insplrational originality and riveting sensuality. I cannot believe that these sole weekend performanees in Edinburgb are the last Britain sees of the born-again Berliner Ensemble. This *Faust*, not to over-state the case, *is simply sensational*.

Lazar Berman/Barbican Hall

David Murray

The interest wbicb naturally attached to Friday's recital by the virtuoso Mr Berman was componnded by deep confusion about what he was playing. The programme-sheet promised the three "Venezia e Napoli" pieces from Liszt's *Années de pélerinoge*, and next Mussorgsky's *Pictures of an Exhibition* —under which title were listed none of the actual *Pictures*, but several earlier Mussorgsky pieces instead, including an unknown "Stork on the Black Sea." A verbal announcement corrected "Stork" to "Storm" and said that Mussorgsky would come first: whereupon Berman performed just the standard *Pictures*, the Litzt, and then—I think!—a Handel Chacony.

Only on fair prior acqnaintance can you tell the *Pictures* without a catalogue, and innocent newcomers must have been mightly puzzled about whicb piece might be "Une Larme," and whicb "On the Southern shore nf the Crimea." (The actual "Greate Gate" made a pretty funny concluding "Hopak," too.) Berman made matters no easier by running eacb "Promenade" atraight into its following piece, and be had his own vague moments—there were odd lapses in several pieces. Otherwise, he was noisily robust and commanding in the beftier numbers (the *piano sounded hard-toned*), and mnch more imaginative in the gentle ones. There were poignant inflections in the "Vecchio Castello" serenade, a subtle sketch (no caricature) of the "Two Jews," and charmingly tender evocations of the children in the "Tuileries" and the "Unhatched Chicks" Ballet.

Where athletic pianism came to the fore, one had the impression that Berman went on to automatic pilot: Baba Yaga's ferocious dance, for example, *was* merely *strident*, whereas ber shivering ride in ber airborne pestle was mnst delicately eldritch. "Limoges Market" was less brilliant than expected, with finger-fluffs dulling the excited crowd-chatter. There were nonetheless all the marks of sturdy national feeling, without which this music is a shadow of itself: native Russians do have a formidable advantage here.

Of the Liszt "Venezia e Napoli" pieces, the Tarantella is an obvious Berman party-piece. It got sensational playing, passage by passage—fine variety nf colour and sentiment—but not much wit, nor much cumulative excitment: the tempo was too often wrenched into a new gear to accommodate local effects. The less shnwy "Gondolier" and "Canzone" were far fresher, the one limipd and lymical, the other darkly suggestive.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Aug 31–Sept 6

PARIS

Jean-Louis Haguenauer piano: Prokofiev, Debussy, Moussorgsky (Tue, 8.30pm). Sorbonne, Metro Luxembourg.

Hopkinson Smith, Theorbo, Wieland Kuijken, viola de gamba. Frescobaldi, Simpson, F. Couperin (Wed 8.30pm). Musee Carnavalet, 23 Rue Sevigne, Metro Saint-Paul.

Ars Antiqua de Paris – One hour of Troubadour and Elizabethan music and Spanish cancionero (Mon, Wed, 6.45pm and 9pm). Sainte Chapelle, upper part with its glorious medieval windows. Bookings 340 55 17 and on arrival.

CHICAGO

Ravinia Festival: St Paul Chamber Orchestra Pinchas Zukerman conductor and violin, Michala Petri recorder. Handel, Sammartini, Vivaldi, Handel, Bach (Thur). Highland Park (728 4642).

LONDON

London Symphony Orchestra and Chorus conducted by Richard Hickox with soloists including Felicity Palmer, Felicity Lott and John Shirley-Quirk. John Taverner and Vaughan Williams. Royal Albert Hall (Mon). (589 9465).

Royal Philharmonic Orchestra conducted by David Coleman with Leland Chen, violin and Philip Gammond, piano. Smetana, Bizet, Tchaikovsky, Litolff and Ravel. Barbican Hall (Mon). (638 8891).

BBC Symphony Orchestra conducted by Mark Elder and Thea Musgrave with Michael Collins, clarinet. Rachmaninov, Thea Musgrave and Brahms. Royal Albert Hall (Tue).

Scottish Chamber Orchestra conducted by Wilfried Boettcher and Peter Maxwell Davies with Alfred Brendel, piano and Neil Mackie, tenor. Mozart and Maxwell Davies. Royal Albert Hall (Wed).

WEST GERMANY

Berlin, Philharmonie: Boston Symphony Orchestra, conducted by Seiji Ozawa with cellist Yo Yo Ma, Brahms and Strauss (Wed, Thur).

TOKYO

Renata Scott soprano: Recital accompanied by Thomas Fulton. Kan-i Hoken Hall (Thur). (331 4461).

VIENNA

Vienna Hofburg Orchestra conducted by Gert Hofbauer. Viennese Waltzes and Operetta at the Hilton Hotel (Tue).

The Party/The Other Place, Stratford-upon-Avon

Martin Hoyle

The National Theatre's 1973 production of Trevor Griffiths'a play boasted a high-powered cast and marked the last new role played by Olivier on stage.

As far as acting is concerned, I cannot imagine Howard Davies'a revival at The Other Place being bettered, big names or not. At its best, in the first half, perfect ensemble playing, taut and intelligent, generates the electricity of a great company at its best. Only after the interval does the tension flag, but the fault lies with the play.

This lament for radical impotenca, for political tunnel vision, is presided over by Jne, a laftisb TV director, with an eye to the main chance. His well-appointed flat (the original version specifies Hockneys on the wall) witnesses a gathering of radicals of varying degrees of chic, opportunism and commitment. The RSC's new version has excised three characters but the figure nf Tagg — the Olivier part — remains. A Glaswegian Trotskyite, his great expository speech cuts through the comfortably self-deluding pragmatism nf the others and provides a finale of inexorable rbetoric to Act 1.

Otherwise, Act 2 witnesses the old man's revelation of terminal cancer, and the growing conviction that this is a different, and emptier, play tacked on to the first.

Padding degenerates into cliché (working class boyhood recalled; Dad's bitterness at redundancy; early sexual experiment). "I know all this, Malc," yelps Joe; so do we all.

After an absorbing first half, this interminahle, hroken-backed and slow-paced decline is a sad come-down.

Few actors are as watchable as David Threlfall, who even bnlds his own in a duo with a (live) guinea pig, though intelligently uncomfortable in glimpses of possible melodrama. As the abrasive writer, Malcolm Storry displays that gift for probing anger showed in *Henry V* and almost makes us forget how stereotyped the uncouth northerner has become.

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A Congress of hard truths

ONE OVERRIDING issue now faces Britain's union leadership meeting in congress in Brighton today. Simply put, it is the need to re-establish contact, and credibility, with their 10 million members.

It is, of course, not on the agenda *in that form*. Instead, congress will debate the statement of support for the miners; will divide on whether *or not* to censure the General Council for withholding full-throated support to the National Graphical Association in its dispute with the Stockport Messenger; and will air its differences on how it should have opposed the government's ban on trade unions at its Cheltenham communications centre.

Underlying all of these, however, is the matter of how far union members are prepared to be mobilised in the support of the dispute their leaders identify as crucial, how they are to be consulted on these issues, and what attention is paid to the consultations. It is an important part of Mr Len Murray's perennial question: can we deliver? That does not boil down simply to a question of introducing more ballot votes (postal or otherwise) into unions, though that too is an important element. Elected leaderships, or delegated bodies, must often make decisions involving members without reference to the rank and file through a ballot. Ballots themselves become a central issue only when it becomes clear that leaderships and members divide, and that the leaders pay little heed to the consequences of such division.

New Realism

The 1983 election was seen by the "New Realists" within the unions (and the Labour Party) as a traumatising event which should have enforced a new respect at the top for the sentiments below—sentiments which were no longer in tune with the official labour movement. New Realism has not worked yet but the old facts which produced it have not changed.

Mineworkers denied a ballot on what amounted to a national strike have, slowly and patchily, refused to be dragooned. Dockers are badly split on an issue which seems to many of them to be political, and from today those who wish to work will face pickets of their fellows at their workplace gates, just as the miners have done.

To what end? To bring down the government? To halt the rise of unemployment? To achieve endless subsidies as of right? The aim of the industrial battles in this summer of discontent remains as unclear as it always has been and the discontent has been directed more at union leaderships than at the government or employers.

All of this adds up to a massive setback for the unions. Denial of internal democratic procedures creates real rather than imaginary enemies within: the working miners' leaders within the National Union of Mineworkers will remain an unforgiving centre of revolt against the leadership long after the dispute is over. A year has gone by in which Labour has done little or nothing collectively to re-examine its policies, postures or programmes and in which the unions have done little or nothing collectively to revitalise and democratise their often archaic internal procedures or to come to terms with a vastly changed industrial and political scene.

The members at the sharp end are having to come to terms with the consequences of these vast changes: at the sharpest end these members are generally ex-members on the dole. The imaginative and hopeful signs of change evident last year gave way in 1984 to a giant leap backwards, a reversion to pulling on levers which could no longer deliver the presumed response. Rank-and-file trade union members appear to be in no mood for a head-on confrontation with the Government; it is doubtful whether the use of trade union power for political ends is either popular or rewarding. In any case, as the Prime Minister made clear in her interview with the FT on Saturday, the Government is not seeking to destroy trade unionism. Free trade unionism, subject to some form of social control, is a part of democratic society and can be a force for good within it. But it has to earn recognition and public esteem: Britain's unions can do so only if they cease bludgeoning their members and start listening to them once more. There is no law of nature which decrees that trade unions in their traditional form should continue to exist.

Painful road to democracy

THE NEXT steps in Brazil's tortuous progress towards a more democratic form of government have become clearer. For the outside world it is of the highest importance that the transition should be made in a calm and orderly *fashion*. *Finding a lasting* solution to the problems posed by the country's heavy international indebtedness is proving *hard enough without* any additional political complications and upsets.

The military who have controlled the government of the country since 1964 in recent years made commendable progress with *abertura*, the process of opening up the country to a more democratic regime. But lately they appear to have lost control of their own brainchild. A move towards the introduction of direct election of the president by popular vote was reversed when the soldiers became afraid that events were moving too far too fast.

So the election of a successor to President Joao Figueiredo next January will still be in the hands of an electoral college with a built-in majority for the PDS, the party of the military. Yet sticking to the indirect election by the college has not amounted to a return to square one, because the military have lost control over the PDS.

That is the doing of the most skilled politician in the country, Sr Paulo Maluf, who by subtle dealing managed to win the PDS nomination for the presidency. The cost paid was a hopeless fragmentation of the PDS. At least one of its three sections will support the opposition candidate, Sr Tancredo Neves, in the electoral college. Sr Neves has a long record of getting by under military rule. The opposition which he represents has abandoned the pressure for direct elections which caused so much excitement earlier this year. Only a minority of politicians on the Left continue to pursue that line. The majority prefer a more pragmatic approach to gaining power by putting up a candidate to whom the soldiers would not object.

Public opinion has had little say in all these events. Repeated sample polls have produced huge majorities in favour of direct elections and hence a clean break with military rule. Eventually that could cast doubt on the legitimacy of whichever government emerges from the election. But the candidates for nomination have at least had to seek a measure of public approval in their campaigns. To that extent Brazil does have a measure of choice in the elections of the successor to General Figueiredo, even though in the *final* event the choice will be made not by the voters, but, as it were, on their behalf.

At present that choice lies between Sr Maluf and Sr Neves, who is generally known in the country by his first name as Sr Tancredo. The intervention of a third candidate has by now become improbable and the military seem to be sufficiently disheartened not to interfere any more with the election process.

Neither man is campaigning on the basis of an explicit platform. Brazilian politics are and always will be much more about personalities than about issues. Both contenders have the support of respected public figures, although the coalition of support behind Sr Tancredo is much more *impressive*. It includes almost the entire business establishment.

Balance

Sr Tancredo has promised to place the needs of the people ahead of those of the country's creditors. That is an undertaking as understandable from someone campaigning for office as it is worrying from the potential president of the biggest debtor country in the world. It is to be hoped that, in this matter, Sr Tancredo's reputed moderation and *sense of* balance will prevail.

A combination of indebtedness, high inflation and externally imposed economic austerity always provides an infertile soil for democracy to re-establish itself, as President Alfonsin in Argentina is finding. The encouraging development in Brazil is that the passions for direct elections have been channeled, for the moment, in favour of a transitional arrangement. This arrangement features a candidate in Sr Tancredo who is both moderate and experienced, who has independent political legitimacy, and yet who is not anathema to the military and business establishment. He offers some chance that the slide towards "abertura" can be sustained despite the tough policies any Brazilian government will still be condemned to pursue.

BRITAIN'S ASIAN BUSINESSMEN

A long way in a short time

By Charles Batchelor

BREAKFASTING IN Glasgow's Central Hotel, you spread a generous portion of Keiller's thick cuts orange marmalade on your toast.

Travelling down to London, you help your lunch down with a pint or two of Belhaven's Scottish Ale. Arriving in the capital, you check in at the Bedford Corner, a medium-sized hotel not far from the British Museum, and try to decide on your evening's *entertainment*: will it be Snoopy, a musical at the Duchess Theatre, No Sex, Please — We're British at the Garrick or something more serious at the Mermaid?

All of these apparently traditional British products and services would have been brought to you by the UK's growing community of successful Asian businessmen.

The marmalade factory is now owned by the Okhai brothers, who came to Britain from Malawi in the late 1960s; the Scottish hotel and the brewery are part of the property and leisure empire built up by the Virani brothers, who fled from Idi Amin's Uganda in the early 1970s; the London hotel is owned by the Chatwani brothers; and the three London theatres belong to Abdul Shamji, another refugee from Amin, whose Gomba group now encompasses property, hotels vehicle manufacturing and international trading.

In addition to their role as keepers of the nation's corner shops and local post offices, Asians have been establishing a strong presence in British industry and commerce. And their secretive, private empires are moving increasingly into the public domain as they have begun to acquire quoted companies through which to run at least part of their businesses.

The success of many who fled from Idi Amin's Uganda in 1972, and from other parts of East Africa, has focused attention upon Asians as a group. However, an earlier generation, which came directly from the Indian sub-continent, has also established substantial British business empires.

But whatever their origins, Britain's leading Asian businessmen tend to have certain characteristics in common.

● *Access to capital is important* for the growth of any business. Popular legend has the refugees from East Africa arriving with just a handful of loose change and a copy of the Kampala telephone directory.

In reality, many Asians ran successful businesses in East Africa, managed to get some funds out or could call on their family or members of their community for pooled financial backing. They tended to start up service businesses which did not require large amounts of capital and which generated cash, such as retailing. They often had international trading contacts and links with British banks with branches in Africa.

"We foresaw the Amin purge," says Mr Nazmu Virani, at 35 the eldest of the three Virani brothers. "We had solid backing and were not penniless. The banks in England knew us because we all left at the same time."

Mr Abdul Shamji (left), head of the Gomba group, and Mr Swraj Paul, chairman of the Caparo group

Mr Shamji says that "in the 18 months prior to our leaving, we left funds in Britain whenever possible. What we got out with was a hair off the head of what we had. But at least it meant we could live for a few months. We were 10 people in a flat of two rooms. For months I did not know what to do, hoping that 'tomorrow' we would go back to Uganda."

"We would always pass the hat round within our own family and close friends if we wanted starting capital," adds the chairman of one substantial Asian company. "Nobody thought it rude or unusual."

The Viranis started out with a small supermarket in Dulwich, south London. Mr Shamji made use of his trading contacts to get started. His first deals involved the sale of cutlery and whisky to Zaire and watches from Hong Kong to Iran.

The Ugandan refugees were faced with a sudden upheaval and had to adapt quickly to their changed circumstances. The wave of immigrants which preceded them had more time to adjust and, frequently, the financial backing of family back home in India and Pakistan.

Gulu and Partap Lalvani came to London to study in the 1950s. Through student friends they became involved in the jewellery business and with a £2,000 advance from their father bought a small costume jewellery manufacturing company, which grew rapidly.

However, Gulu Lalvani, while on a trip to the Far East, saw a transistor radio, realised its potential and started importing an economy model. He and his brother now run Binatone, a consumer electronics manufacturer with sales of £30m and a workforce of 250, in Wembley, West London.

● As newcomers, the Asians saw business opportunities which the locals had overlooked—sometimes in depressed sectors such as engineering. The Okhai brothers, for example, initially went in to the unusual area of making lollipop sticks and later took over the then loss-making Keiller marmalade factory, in Dundee, from Nestlé, the food multinational.

This eye for the profitable opening has sometimes led to the creation of mini-conglomerates grouping a host of unrelated businesses. "You cannot resist it, when you see potential there and someone is not getting the maximum out of it," Mr Virani says of some of the hotels he has acquired.

Mr Shamji saw similar opportunities when looking over the Scottish factory of the failed four-wheel truck maker, Stonefield Vehicles. "I could not believe my eyes," he said. "They had spent so much money and had such a beautiful factory."

> As newcomers to Britain, the Asians saw opportunities which local businessmen had overlooked

Some of the Asians say they have found it easier to set up business in the UK than in East Africa. One Leicester businessman with financial services, trading and retail interests, says: "We are used to working under difficult conditions. Here you don't have to bribe people. In Africa you have to put money down. Here you must talk your way."

● A directness of approach and a close personal interest in their businesses have contributed to their success. As outsiders they escape the labels of the British class system and show a refreshing lack of self-importance, despite their wealth. Mr Virani, who bought a number of his hotels from British Rail, says: "The same people who made losses for BR are making profits for me. I don't interfere directly. I give the managers responsibility and tell them they must make a profit every week of the year. I'm not British Rail."

Mr Swraj Paul, founder and chairman of the Caparo Group, with interests in engineering, hotels, property and shipping, explains his approach to the companies he buys: "We feel that if you devote time and energy with individual managers and discuss their problems with them you can make sure they run successful businesses."

While most of the Ugandan refugees are only now moving on from the services sector, Mr Paul, a portly, genial 52-year-old, is one of the earlier generation which has been involved in manufacturing for a long time.

Mr Paul, who trained as an engineer in the U.S., came to Britain in 1966. He still has business interests in India and has close ties with Mrs Indira Gandhi, the Indian premier.

Starting with a small steel trading company, he bought a steel tube manufacturer employing four people and now, after a decade and a half of rapid acquisitions, controls E. Austin, a fork-lift truck manufacturer, and Barton Group, an engineering and tubing company. His private and public UK companies have an annual turnover of £150m.

● A willingness to work longer hours than many British people would accept is another ingredient in the success of the Asians. Mr Satish Chatwani says he and his two brothers, Jay and Rashmi, regularly put in an 18 or 19-hour day at their Bedford Corner Hotel in central London.

Bought from the Crest Hotel group in 1982, the 85-bedroom hotel has undergone a £3m facelift. The Chatwanis, all accountants, have bought and are now renovating a second property.

Mr Bhogilal Vyas, who runs a corner grocer's in south-east London, also puts in long hours but says he is able to take life more easy than when he first came to Britain from Uganda, leaving behind a sizeable importing and manufacturing business, he fled with £50.

He took over a succession of small grocery shops in London, each time expanding the business — in one case taking weekly turnover from £300 to £5,000—before selling out and moving on.

A small, cheerful man, now 48, he says: "I don't get wages but I'm the boss and no-one is going to tell me what to do. I was born a businessman and must be a businessman."

Mr Raj Kumare Bagri, who last year became the first non-British board member of the London Metal Exchange, arrived in the UK in 1958 to set up a metal trading group for a large Indian concern. His own company, Metdist, now employs 35 people and expects to achieve 1984 turnover of £90m.

"When you come from outside you have to work harder to make a go of things in any country," he says. "I am sure that was so with the Jews. We stand out because of our colour. I don't say prejudice does not exist but in every society there is prejudice. I have not come across insurmountable barriers."

Most successful Asians say they have not encountered sustained or organised racial prejudice, though one says he met such difficulties in setting up a pharmaceutical distribution business in the UK that he moved to the Netherlands.

The successful Asians, whether they run a corner shop or a diversified business empire, form only a small minority of the 1.08m people of Indian, Pakistani and Bangladeshi origin living in Britain.

A recent *study carried out by* Liverpool Polytechnic concluded that many Asians were wasting their talents by trying to run unprofitable businesses. Reports by the Policy Studies Institute and the Commission for Racial Equality have pointed out the problems facing Afro-Caribbean and Asian businessmen in gaining access to funds and advice.

"In reality much Asian business represents a waste of capital, talent and energy," the Liverpool study concluded. "Small-scale retailing represents a diversion into a declining and often unrewarding segment of the moribund British economy. At best, small shops represent a survival mechanism for some Asians, not a socially propulsive force for the whole immigrant community."

"Retailing is revealed as demanding long and anti-social hours of work from the owner and often substantial unpaid assistance from his family. Moreover, the financial rewards are typically small and unreliable."

Even where Asians have been successful, the question arises whether the next generation will sustain this progress, or lose the competitive edge which powered the new immigrants. Many of the first generation came to Britain without formal qualifications and are keen that their sons should have a good education. But will this complement or dull their fathers' gut feel for business?

Successful Asians acknowledge that the close family structure, which has helped many of them get their foot on the first rung of the ladder, is weakening.

But even if the future generations find it hard to match the achievements of this one, the Asian community has already taken a firm hold on many sectors of British business life.

Additional research by Dick Wilson

Men and Matters

Robson takes to underwriting

Alexander and Alexander, the top league international insurance brokers, have turned to the blue blood British banking establishment to sort out their London business.

Nigel Robson, aged 57, former chairman of Grindlays Bank, who has links with 300 years of British banking through the Able Smith family on his mother's side, has been appointed chairman of Alexander Howden Underwriting, one of Lloyd's biggest managing agents.

A and A bought Alexander Howden in 1982, since when A and A's top U.S. executive Jack *Bogardus has been in the* Alexander Howden chair and shuttling between London and New York.

Robson has just moved into the underwriting firm to replace Bogardus who intends to spend more time in the U.S.

Robson, who entered banking in 1949 after Eton and the Grenadier Guards, is a newcomer to the fevered insurance market around Lime Street. But he has a clear objective which will call for City knowledge and negotiating skills rather than Lloyd's experience.

He has to see through the divestment (or selling off) of Alexander Howden Underwriting from the brokerage group by mid-1987 to comply with the Lloyd's dead-line for the restructuring of the insurance market system.

Robson will remain as London adviser to the Bank of Tokyo, and a director of the Central Trustee Savings Bank.

Whose breakfast?

"I would prefer not to name names and I do not even wish to give precise numbers," says William Chaney, the chairman of the 147-year-old Tiffany and Co., probably the world's most exclusive jewelry firm, in response to repeated questions as to who is helping him buy the New York business.

Ever since Avon Products, the cosmetics giant, announced that Tiffany was for sale in June New York has been buzzing with rumours about who was going to buy this famous Manhattan landmark. Last week's $135.5m management buy-out has not put a stop to speculation.

Britain's Sears Holdings apparently popped in a bid, as did Asprey the London jewellers. The mysterious Mouawad International Corporation, reputedly big in the Middle East jewellry trade, was also in the running. All told, says Avon, it received more than a dozen serious bids.

A management buy-out of Tiffany always looked the most likely outcome. But given the firm's lacklustre profits record—it earned $12.1m on sales of $125m last year—it appears to have found difficulty raising the substantial amounts of bank debt which U.S. company managers have traditionally relied upon to enable them to bang on to control when they take a company private.

Instead, Tiffany's management has hired Lehman Brothers, the New York investment bank, and the two-year-old Arabian Investment Banking Corporation (Investcorp) to help it finance the all-cash deal. Tiffany's management is expected to be the largest investor, but will not have a controlling interest.

Chaney is being rather coy about who will own the rest of the shares. It appears that this has still to be decided. All he will say is that international investors will not have a majority interest in the famous firm—which offers exclusive collections by such designers as Jean Schlumberger, Elsa Peretti, and Paloma Picasso.

Quite why a well-connected firm like Tiffany has had to turn to the little-known Investcorp for financial help is a mystery. Chaney describes the Bahraini-based investment bank as "a highly respected international financial institution." He says he was introduced to the firm by a middle man.

But beyond that he is saying little. The leading light behind Investcorp is an Iraqui banker, Nemir Kirdar, who used to work for Chase Manhattan in the Gulf before he was hired by wealthy Middle Eastern investors to run the new company.

Whether Tiffany will end up partly-owned by the Arabs still remains a mystery.

On-screen risks

The Bill Cotton-Michael Grade double act at the top of BBC Television begins today—probably well before 9 am.

Grade, aged 41, who has been lured home from Los Angeles to the BBC, in spite of suffering a pay cut, will not have long to think about how to approach being the first controller of BBC1 ever appointed from outside the corporation. He has to hurry along with the vetting of new programme ideas for the coming year.

People who argue that the Cotton-Grade team (Cotton, managing director of BBC Television, is a long-standing friend of the Grade family) will be a formidable match for ITV point to the great football coup.

When Grade was director of programmes at London Weekend Television he outflanked the BBC to win exclusive coverage of the Football League. The Office of Fair Trading eventually blocked his scheme.

A nephew of the two show-business Lords, Delfont and Grade, Michael Grade has a mean reputation as a programme scheduler. His arrival means that ITV could be in for a difficult Christmas in the ratings battle.

Grade has made it clear why he is coming back from the swimming pools and sunshine. *America, he says, has taught* him that more channels can mean less choice. "Television is too important to be in the hands of anyone but those committed to putting programmes, and the people who make them, first."

Bouncing back

When Brian Randall sold 34-square miles of Wales to an Egyptian businessman in April the cheque for the deposit on the sale bounced.

Randall's displeasure was temporary, however. When his Black Mountain estate comes up for auction again this month he expects to raise several times more than he would have settled for earlier in the year.

An engineering consultant not averse to a little property speculation Randall paid nearly £300,000 for the 22,000 acre estate almost a year ago. Lying about 12 miles from Swansea it accounts for no less than 0.4 per cent of the whole Welsh land mass.

Just before the April auction he received a bid from an Egyptian for £400,000 and withdrew the estate from the market. "But his cheque was not honoured and we have not seen or heard from him since," says Randall.

But now Randall says that the subsequent discovery of mineral and coal deposits could mean his land is worth around £2m. "We are in serious negotiations with two open-cast coal mining operators."

One thing any purchasers will not come by is Lake Llyn y Fan Fach, the lake of the fairy bride. Says Randall, "We thought we had bought it with the estate but it had been sold to the Welsh water authority in 1928 and no one had remembered."

Eyes down . . .

Further evidence of the decline of the top people.

PJP Computer Services of Barkingside, Essex, is prepared to offer a daily monitoring service at £2.50 a year for readers of The Times who play that paper's Bingo—correction, stockmarkets—competition.

But a similar checking service for punters playing the Daily Mirror Bingo will cost £5 a year.

Director Melanie Phillips of PJP says the Mirror game is more complicated and involves more checking. It is also the more lucrative potentially with a promised £1m prize.

Observer

ONE of these fine days we are going to learn, after many months of uncertainty, whether Mr Erich Honecker, the East German leader, is or is not going to visit West Germany later this month. As an event, such a visit would be quite interesting, but not necessarily all that important. What has endowed it with remarkable significance is the long hesitation, because it implies an intense debate over fundamental policy choices, not merely in East Berlin, but also in Moscow.

The terms and the extent of that debate are, of course, largely hidden. But the hesitation suggests that there is serious controversy over whether it is in the interests of the Soviet Union and its East European empire to see any further rapprochement between the two Germanies. One clear symptom of that controversy is the campaign which has been running in at least part of the Soviet Press, vilifying West Germany for alleged militarism and revanchism; it may also be significant that some Soviet newspapers seem to be taking a much more moderate line.

There is no basis for the accusations. In general, the Christian Democrat government of Chancellor Helmut Kohl is continuing, despite some criticism from the right wing, the Ostpolitik first launched well over a decade ago by the Socialist Chancellor Willy Brandt. Ronald Reagan may have "outlawed" the Russians, but West Germany is still pursuing the policy of detente which took concrete form in the treaty with Moscow of 1970 and that with East Berlin of 1972.

It is true that West Germany has offered East Berlin substantial *financial inducements* to secure the release of would-be emigrants from East Germany but it is obviously fanciful to claim, as Pravda has been doing, that western economic power is being used to undermine the foundations of socialism in eastern Europe.

It is also true that it must be extremely vexing *for the* Russians that, after they had expended so much effort on a propaganda campaign against the basing of American cruise and Pershing II missiles in Europe, the Bundestag still stood firmly by the 1979 Nato twin-track decision and agreed to take West Germany's share of the Euro-missile deployment. Vexing and, indeed, somewhat humiliating; but the Russians know perfectly well that the Bundestag vote did not make the West Germans either militaristic or revanchist.

Perhaps the most plausible explanation for the hesitation, the hyperbole and the hysteria is that the Russians have not yet worked out a credible policy

Mr Chernenko and President Reagan: a question of attitudes

Foreign Affairs

European dilemma for Chernenko

By Ian Davidson

for East-West relations running through the central axis Moscow-Europe-Washington, at a time when Western Europe is singing a song significantly different from that orchestrated in Washington by the Reagan administration.

During the hey-day of detente, from 1970 until the conclusion of the first European Security Conference at Helsinki in 1975, western Europe and the United States were pretty much marching in step. But when the real significance of detente was exposed later in the decade as having been based on a Western misunderstanding of the Soviet Union's real intentions, the U.S. reacted much more violently than its western European allies.

The violence of that reaction can be explained either as a delayed search for a scape-goat after the traumatic debacle in Vietnam; or it can be explained as a more or less rational response to the perception that the Soviet Union's uninterrupted military build-up during the 1970s, and its expansionist adventures in Angola and Afghanistan, were evidence of a growing threat to western security. Either way, that reaction swept Ronald Reagan into the White House four years ago, and it looks like keeping him there for another four years.

Evidently, the Russians have not worked out how to handle *this dominant factor in the* East-West equation. They cannot stand being treated as a pariah by the other superpower, and they have given in to the temptation to answer Ronald Reagan's vituperative rhetoric with corresponding vituperations of their own: faced with declaratory hostility, *their only response* has been to go into a kind of hostile hibernation. Tha trouble is that this grouchy hibernation has not hronght them any policy dividends, and does not look like doing so. On the contrary, it has handed Ronald Reagan some easy public relations advantages with the American electorate, and it has spread unease in eastern Europe.

It is all very well to stir up the anti-nuclear movement in western Europe, in the hope that democratic governments could be dissuaded from going ahead with the Euro-missile deployment; it is much less satisfactory when the war of words, and even more the gratuitous deployment of extra missiles in East Germany and Czechoslovakia, stimulates a degree of dissent from governments which are supposed to be 100 per cent subservient on such *foreign policy issues to* the Soviet Union.

It is all very well to accuse President Reagan of being a war-monger; it is much less satisfactory for the Russions to he compelled to carry out their previous threats to walk out of the nuclear arms control negotiations in Geneva, leaving the Americans in command of this part of the propaganda field; it is particularly unsatisfactory when the American administration is in the middle of an unprecedented peace-time huild-up of military power, and is bent on extending the arms race into space.

The Americans say they are ready to return to either or both of the Geneva nuclear weapons talks, on Euro-missiles and strategic nuclear armaments, at any time; it is the Russians who won't go. The Americans say they are ready to accept the Russian invitation to talk in Vienna this month about space weapons; it is the Russians who are making so much difficulty over the agenda that any meeting on the issue now seems likely to be postponed, if not cancelled entirely.

Reagan's critics in the American election campaign can justly complain that in four years he has achieved nothing in the field of arms control; but he can claim, with at least as good a semblance of justice, that he is willing while the Russians are not, without in practice being called on to prove it *or* to dilute in any shape or form his underlying hostility towards the Soviet Union.

It is this question of attitudes which may well be at the heart of the problem. We are often told that the policy makers in the Kremlin are hard-headed men who pay much more attention to facts and acts than to rhetoric. By this yard-stick Ronald Reagan is a more cautious and conceivably a more moderate President than his public declarations would once have suggested. He may in the past have talked about the Soviet Union as the focus of evil in the modern world, but in practice he has been anything but reckless. The American performance in the multilateral peace-keeping force in Lebanon was misguided and counter-productive; mercifully it was relatively brief. The invasion of Grenada was deeply questionable; it was even briefer. The President's Central American policy is even more controversial; so far it has been contained at Congressional insistence.

On the other hand, it is rather had to believe that Ronald Reagan and his administration genuinely want or expect better relations with the Soviet Union *except* on terms which they know (or at least believe) to be unrealistic. The relevant section of the Republican Party platform starts out: "Stable and peaceful relations with the Soviet Union are possible and desirable, but they depend upon the credibility of American strength and determination." It goes on to say: "We hold a sober view of the Soviet Union. Its globalist ideology and its leadership obsessed with military power make it a threat to freedom and peace on every *continent*. . . . *The* Carter-Mondale illusion that the Soviet leaders share our ideals and aspirations is not only false but a profound danger to world peace. . . . Republicans reaffirm our belief that Soviet behaviour at the negotiating table cannot be divorced from Soviet behaviour elsewhere. . . . We seek to deflect Soviet policy away from aggression."

The words suggest that no deal is really possible with the Soviet Union on any particular issue unless the Russians renounce all the geo-political aspirations to which they are ideologically committed. No doubt one should not pay too much attention to the words of election manifestos; no doubt, also, that in practice responsible officials in Washington take a more pragmatic, case-by-case approach to issues as they arise. No doubt Mrs Jeane *Kirkpatrick* was partly playing to the gallery in Dallas when she brandished the bogey of Soviet domination over western Europe, Africa, the Middle East, Asia and Central America; no doubt Ronald Reagan was "joking" in that unscripted aside when he said he *had outlawed* Russia and would start bombing in five minutes. Nevertheless, this Administration does not *sound* as if it were contemplating any kind of accommodation with the Soviet Union. It sounds as if it believes what it says: it believes in peace through strength, and that's it.

Perhaps that is what the Russians believe in too, perhaps that's all they have ever believed; it's just that, during the brief flowering of detente, some of us in the west did not understand. In any case, it is herd for the Russians to gain from a prolonged U.S.-Soviet winter if western European governments are sending different and more seductive signals to their neighbours in the East. With the possible exceptions of Denmark and Holland, the Soviet propaganda campaign has not significantly undermined western Europe's general support for Nato, while it has prompted a more Atlanticist policy in France than has been seen for a quarter of a century. The rhetorical escalation between the superpowers undoubtedly increased western Europe's anxiety and mistrust over the objectives and the wisdom of the America super-power; but, so far from fostering neutralism in western Europe, it has given new impetus to the half-forgotten ideal *of greater* European independence and self-reliance.

This impetus has not yet produced any dramatic results, and may well not do so: unity conflicts with age-old nationalisms, no government wants to alienate its American protectors too much, and independence costs more money than can easily be found. *Nevertheless,* there is little doubt that the Russians take the attempt to resuscitate the Western European Union defence treaty organisation rather seriously, more seriously perhaps than most people in western Europe itself.

As *it is,* the Russians already have enough problems in their European empire; Solidarity has been crushed, but Poland remains a festering sore. These problems can only be made worse if the west Europeans adopt a posture which by implication denies the validity of the Soviet hibernation, and move in directions which undermine the rationale of *monolithic discipline.*

Lombard

'Scabs' of the world unite

By Samuel Brittan

THE WORD "scab" has a medical meaning, on which the less said the better. This leads to another metophorical sense: "mean, dirty fellow." My dictionary tells me that this sense *is archaic. What is not archaic* is the current metaphor, meaning "workman who refuses to join strike or union, or takes a striker's place."

The thesis which needs to be put forward on the first day of the Trades Union Congress at Brighton is that the activity of the so-called "scab," far from arousing horror, is one which deserves to be honoured. Its name needs to be replaced by something better such as "work creator."

It may be that the influence of union-speak on the media is so strong that we are stuck with the word "scab." In that case a new slogan should be: "Scabs of the world unite, you have nothing to lose but your dole queues." If full employment is ever to be approached again, the most likely route—given the cowardice of governments and public opinion—is through the victory in the field of "scabs" over militant trade unionists.

The exact activity which will bring more jobs is more accurately known as "undercutting"—ie people offering themselves for work at below going pay rates, or who will forgo a pay rise for which a union is struggling.

The main obstacle to joh creation is that the price of many kinds of labour is too high and that surpluses develop as they do of butter or wine in the EEC, again because the price is too high. None of the undoubted complications which differentiate labour from other kinds of market has convinced me that the main proposition is wrong. A closer approach to market clearing wages is at least a necessary condition for reversing the upward trend in unemployment from one business cycle to the next.

The would-be undercutter, who sh\uld be the real hero of the friends of labour, has of course to meet the opposition of trade union activists who will find words like "scab" and others to denigrate him, and he will be lucky if the opposition is confined to words. That is all the more reason why those people who want to price themselves into work need to unite for their own defence.

The opposition of union leaders to undercutting is hardly surprising. Unions represent the interests of those who are securely at work, not those who might work if pay were rising less quickly. Like all monopolies, their purpose is to exclude competitors, thereby increasing the price they receive, but at the cost of a lower volume of output.

If pay rates are adjusted to absorb the unemployed, those with secure jobs may be relative losers. A net rise in the share of the national income going to capital is thus possible, although by no means certain. Both for this reason and because it is inherently desirable, market radicals like myself have argued for a redistribution of capital ownership. I have, myself, put forward several specific ideas, widely ignored on the so-called Left.

It is not surprising that they should be thus ignored because union leaders depend for their position on the myth that strike threat action—or laws by a Labour Government to increase union power — are the only ways to help the poor and to reduce the concentration of wealth. In truth they are, as Keynes long ago pointed out, the least effective. They work to the extent they do at the expense of the unemployed.

In quiet ways np and down the country, people are offering their services at rates which create a demand for them, whether they get into the statistics or not. One of the main obstacles to further progress is the sentimental public support—extending far beyond the Left—for union attitudes to "scabs." Crossing a picket line or breaking a strike still carries a stigma.

On the contrary, it deserves a medal, even if one's only considerations are traditional progressive goals such as full employment and if one is just as sensitive as anyone in Brighton to genuine distributional issues.

Letters to the Editor

Decommissioning reactors

From Dr von Koch

Sir,—*I think* there are good reasons for saying that the technical procedures for decommissioning and the related costs are not a matter of extreme uncertainty, as the author of yonr article "when nuclear reactors get too old" (August 22) implies. Techniques for handling big components in operating reactors have been successfully demonstrated several times, for instance in replacing heat exchangers.

After shutdown the radiation level in the plant falls, and this benefits the application of procedures which have elready been tested under tougher conditions.

There is really no difference between decommissioning work and maintenance work on operating plants with respect to the application of remote-controlled equipment and the decontamination procedures which have been developed in recent years. And there is still more to come.

After decontamination, components and piping of primary and secondary reactor loops can already be recycled by melting and using the material for new components in the nuclear industry and elsewhere.

Much less material will require final disposal than has been estimated by some sources. Only the pressure vessel and the concrete of the biological shield should need to remain for decades while their radioactivity decays, before they can be treated in the same way.

Estimating the costs of decommissioning as a percentage of the erection costs could be misleading, since the erection costs have escalated due to the extremely high demands for safety installations Dismantling this equipment does not substantially influence the decommissioning costs and in consequence the estimated costs for decommissioning nuclear power plants are quite stable, at least here in Germany where the figure has been around DM 200m for a 1,200 Mw reactor for many years."

(Dr) von Koch

Kraftwerk Union,

Offenbach/West Germany

Braniff not a loser

From the Sales Manager Europe, Braniff.

Sir,—I was most interested in Mr Taylor's article of August 22 concerning People's Express. I feel honour bound however, to let you know that Braniff may at one time have been considered a "loser" but is now most definitely not so. Since March 1984 Braniff firmly backed by Hyatt have been offering an excellent U.S. domestic service — including economic fares eligible to residents in the UK and Europe.

As a result of the new structure of the company in Europe and the good response of both public and trade we are poised to break the $1m mark in terms of revenue on a monthly basis.

Jill Jordan.

56-60, Conduit Street, W1.

Licensing coal mining

From Dr M. Smith

Sir, — In the feature "Time to stop cossetting coal," by Samuel Brittan, a plea is made for a freeing of the open-cast coal industry. I believe that the anachronism alluded to should have heen developed further.

A prospective private open-cast operator, as well as applying for planning permission and observing strict planning and restoration control, must also apply to the National Coal Board for a licence. Do we expect private airline operators to apply to British Airways before they fly a new route, or oil companies to apply to BP or BNOC before they explore for oil? No — government departments supervise these applications in reasonably impartial manner in the national interest. Coal is an energy source and by composition a hydrocarbon. It would seem logical that it should be subject to the same control and supervision as the other two hydrocarbons, oil and gas.

In other words, all prospective coal mine operators, including the NCB, should apply to the Department of Energy for a mining licence and revenues resulting from royalties should become available for the common purse. The NCB would thus be freed commercially to behave as a business enterprise and the huge reserves of coal *still left* in Britain because they occur in small accumulations that the NCB cannot economically mine will be available for private development.

(Dr) Michael H. Smith.

51, Shakespeare Tower,

Barbican, EC2.

Chaos at Bank Holidays

From the Chairman, Shaw Carpets

Sir,—Bank Holidays are de-rigeur national holidays and chaos results on the country's road network, not to mention the crowding at airports and on ferries.

Furthermore those places open to the public (and which do not shut down for Bank Holidays) whether museums, stately homes, recreational amenities, parks, hotels and restaurants are overloaded and the staffing of them overstretched to everyone's discomfiture. Added to this is the great loss to national productivity with most work places and factories closing down.

The solution is to discontinue Bank Holidays (with the exception of a national Christmas and New Year holiday) and to have additional days of holiday in lieu.

James Hartley.

Darton,

Barnsley, S. Yorks.

Acceptance of MBAs

From Mr J. Leontiades.

Sir,—The article by Michael Dixon on the survey of MBA graduates (August 22) is no doubt right in saying that soma British employers are sceptical regarding this degree. But I feel its overall impression to tha reader can be misleading. The remarkable thing about tha MBA degree is not the remaining scepticism but the speed with which it has gained acceptance. In the space of less than two decades it has established itself not only in the UK but also in France, Belgium, Scandinavia, South America and other parts of the world where it was previously unknown.

My experience with British demand for MBAs began in the United States during the 1960s. As a faculty member with the Wharton School of Finance I was asked by a British business firm to put it in contact with some of the British MBA students there, with a view to arranging job interviews. This was in November, well before the spring recruiting drive. One might have expected to find plenty of willing candidates among the 20 UK students. I was surprised to find all of them already committed, some to jobs with American companies, some to British firms. An active demand was there, even before such degrees were available in the UK.

In the intervening years job *opportunities for MBAs in this* country have expanded vigorously. The MBA degree has also gained a measure of international acceptance and recognition which is probably unique. The fact that management consulting firms and multinational companies are the keenest recruiters, as confirmed in your article, would seem to augur well for its future. Surely they are in a particularly favourable position to assess the relative merits of management recruits from many different sources and to judge value for money.

Of course business schools have their weaknesses, as do other educational institutions. We would be foolish not to recognise that there is considerable room for improvement.

Jim Leontiades.

(Senior Lecturer in International Management),

Manchester Business School,

Booth Street West, Manchester.

The Royal Dockyards

From Mr J. Brazier

Sir,—Sir John Mallabar calls (August 28) for the introduction of a trading fund to the Royal Dockyards. His report in 1971 represented the first serious public analysis of the waste and difficulties in the dockyards.

He *is* surely wrong, however, to draw a parallel with the Royal Ordnance Factories (ROFs), where his recommendations for a trading fund were adopted successfully. The Ministry of Defence accounts for only 50 per cent of the ROFs' output while the dockyards serve the MoD almost exclusively and have little scope for "*exports*."

Furthermore the Navy would require, in the war it seeks to help deter, a very high degree of flexibility from the dockyards. This is expensive in peacetime but without it during operations many of its ships would be rendered useless by enemy action. It is this consideration (together with the need to co-ordinate the defence of dockyard installations) which has lead to most countries keeping their repair dockyard under naval control.

For this reason the Government's sensible search for competition is unlikely to succeed in every area of the dockyards' work. Thus a dockyard, reconstituted as a trading fund, would be able to charge its overheads disproportionately to non-competitive areas and then quote on a marginal cost basis in those *fields* which were exposed to competition. These difficulties can be dealt with but setting up a trading fund is not sufficient on its own to contend with them.

In practice it is efficient procedures and a clear chain of command which are crucial for cost effectiveness, not the uniform, *or otherwise, of the* dockyard head. Sir John is right to call for a change in structure but it is essential that any change meets the operational needs of the Navy, as well as achieving greater cost-effectiveness in peacetime.

Julian Brazier.

H. B. Maynard and Co.

22, Conduit Street, W1.

FINANCIAL TIMES

Monday September 3 1984

Michael Morgan on Wall Street

Railways back on right track

STOCKS of principal U.S. railway companies, which also have substantial holdings in the resource sector, have found themselves back on the right track over the past month.

In July, the stocks were in the doldrums, near 52-week lows. But the past five weeks have seen a different picture emerging, with two of the big three companies performing twice as well as the broader market, as measured by an 11.8 per cent rise in the Standard and Poor's index of 400 industrial stocks.

The industry has benefited from the pace of the economy this year, although rail operations are vulnerable to worries about the outlook for growth. Any downturn would affect merchandise and cyclical traffic, but other areas such as the transport of coal and grain are less vulnerable.

That is comforting for groups such as Burlington Northern, Santa Fe, Southern Pacific, and Union Pacific, all of which have considerable coal and grain carrying business.

Indeed, unexpectedly heavy purchases of grain by the Soviet Union over the past few weeks have led some U.S. analysts to conclude that sales in the year to September 1985 might rise by as much as 42 per cent to a record 18m to 22m tonnes. That would produce valuable additional business for all three.

Even the threat of a mineworker's strike later in the autumn holds no terrors, since most of the mines that the railways serve in the West

Stock	Price $	Aug. % rise
Burlington N.	46⅝	28
Santa Fe	25⅞	20
Union Pacific	41⅞	10

of the country are not unionised. A lengthy dispute that forced customers to turn to supplies from the West might be beneficial.

All three companies share the same mix of operations with rail, energy, land and mineral interests. For Burlington, the railway is still the dominant earner, although with its acquisition of the El Paso company last year, a larger share will now come from gas pipeline operations as well as gas exploration and production. First-half net income rose to $314m from $159.8m in the same 1983 period.

Santa Fe and Southern Pacific are separately operated but, with regulatory approval, should merge within two years. That would produce savings, according to the chairman, of $220m a year. It is also one of the largest private landowners in the U.S. Net income for the first half was $250m, compared with the year earlier's $116.8m.

Union Pacific, revenues of which are more evenly divided between its rail and natural resources activities, saw net income for the first six months rise to $229.7m from $167m.

Improved efficiency has been one key to success for Burlington Northern in recent years and it has also helped Santa Fe. Union Pacific, conversely, has long been seen as a relatively efficient operation and has found it more difficult to make improvements in the field.

All three have seen gains in traffic during the first half of the year, but further increases in the second half might prove difficult to achieve. They have also benefited from improved freight rates.

The improvement in share prices over the past month owes much to the general upward trend in the stock market, but there has also been a realisation that earnings are on the rise.

Mr James Voytko, railway analyst at Paine Webber Mitchell Hutchins, forecasts $7 a share from Burlington Northern for 1984 compared with last year's $5.40, and $2.50 a share for Santa Fe, against the previous $1.77. He expects the least robust increase to come from Union Pacific, with earnings of $3.95, compared with 1983's $3.57.

His estimates are that such earnings would produce a price/earnings ratio of around 6.4 for Burlington Nothern, well down on Santa Fe's 8.4 and Union Pacific's 10.3.

Mr Voytko explains that while Burlington has proved a popular stock, its p/e has been depressed by concern that it will lose business when a rival, Chicago and Northwestern, opens its line to the Powder River Basin coal territory.

Analysts are divided over the effects of inflation on the companies. Some contend that during an era of high inflation, investors will pay more for stock in companies with hard assets such as energy, land and minerals interests, which all three have. Others think the argument is overdone, noting that while strong competition during recession drives rates down, that does not happen to the extent seen in some other industries.

Cloudy picture in crystal ball, Page 14; Wall St prices, Pages 16–17

MONDALE TRIES TO CLOSE GAP AS CAMPAIGN OPENS IN EARNEST

Reagan holds wide lead in polls

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

THE 1984 U.S. presidential election campaign officially opens today, the Labor Day holiday, with the two candidates travelling to opposite ends of the country to fire the opening shots from among the ranks of their staunchest supporters.

President Ronald Reagan has chosen to mark the battle's opening at a rally in prosperous conservative Orange County, in Southern California, while Mr Walter Mondale, his Democratic challenger, will march in a Labor Day parade down New York's Fifth Avenue, in the company of his Vice-Presidential running-mate, Ms Geraldine Ferraro.

Although the contest has in practice been under way for weeks, if not months, today's events are traditionally regarded as symbolic of how the candidates view their campaigns and their favoured constituencies.

Mr Reagan was due to leave Washington yesterday further buoyed by a nationwide opinion poll that showed him running 23 percentage points ahead of Mr Mondale. The Los Angeles Times poll gave the Reagan-Bush ticket 59 per cent support against only 35 per cent for Mr Mondale and Ms Ferraro. It suggested that Ms Ferraro might even be slightly more popular than Mr Mondale, despite the troubles over her tax returns and campaign finances that have dogged her over the past two weeks.

Another poll, conducted by the Gallup organisation, indicated that Mr Reagan was viewed by voters as better able to keep the country prosperous, while Mr Mondale was seen as more likely to keep the country out of war. Mr Reagan led by 53 to 33 per cent on the prosperity issue, while Mr Mondale was ahead by 47 to 35 per cent on avoiding war.

Mr Reagan also led in "making people proud to be Americans," by 51 to 28 per cent, and in handling foreign relations, 50 to 33 per cent. On dealing with the Soviet Union and increasing respect for the U.S. overseas, Mr Reagan led Mr Mondale by 48 to 34 per cent – a disappointing showing for the Democrats, who hope to make an important campaign issue out of Mr Reagan's failure to reach arms control agreements with Moscow.

Mr Mondale, on the other hand, led Mr Reagan on human rights and environmental questions, as well as the "war and peace" issue. He also scored more highly on helping the needy, improving the lot of minorities, and women's rights.

Doubts on Moscow readiness for talks, Page 2

Britain and China set to agree Hong Kong terms this month

BY MARK BAKER IN PEKING AND DAVID DODWELL IN HONG KONG

BRITAIN moved nearer to agreement with China at the weekend on the terms under which it will relinquish colonial control of Hong Kong in 1997, as intensive negotiations continued on outstanding differences.

The agreement, to be referred to as a "joint declaration," is now almost certain to be initialled in Peking in the last week of this month, possibly on September 25.

It will be endorsed by the British ambassador to China, Sir Richard Evans, and the assistant Chinese Foreign Minister, Zhou Nan. The two men have headed the teams that have negotiated for 14 months on the terms under which Britain will hand back control of Hong Kong to China when leases on nine tenths of the territory expire in 1997.

It is expected that there will be a brief signing ceremony and press conference before copies of the documents are released simultaneously in Peking, London and Hong Kong.

Reports have circulated recently in Peking, and in the Peking-linked newspapers in Hong Kong, that negotiators have only one issue left unresolved: the question of aviation landing rights in the territory.

Peking-linked newspapers have suggested that disagreements over the rights of British dependent territory passport holders, and over land rights, have been settled. They have made no mention of disagreements that still exist over the form of government that Hong Kong will have after 1997.

However, the reports have been denied by officials in Hong Kong, who fear that Chinese negotiators have leaked their latest proposals as if they had been accepted by both sides in the hope that that will force Britain's hand as negotiating time runs out.

Officials nevertheless concede that intensive discussions in Peking mean that the picture is changing almost by the hour. They remain confident that the target date for initialling the agreement can be met.

The final agreement is expected to hold few surprises. China has given comprehensive details of its promises to preserve the existing independence and prosperity of the Hong Kong economy and the 5.2m people of the territory.

The official Chinese newspaper Wen Hui Bao has reported that the agreement will comprise a concise main statement and three annexes.

The main document will detail Chinese sovereignty over Hong Kong, China's policies for maintaining the independence of the territory as a "special administrative region" after 1997, and provisions for co-operation between China and Britain during the interim period, the paper said.

The three annexes would cover China's detailed promises on Hong Kong's independence in the 50 years after 1997, the formation of a joint liaison group to oversee the transfer, and the handling of land transactions.

Washington defends new curbs on textiles

By Nancy Dunne in Washington

REAGAN Administration officials, preparing for talks in Geneva tomorrow over new American textile import rules that have aroused protest, say they have acted with restraint against what they describe as a flood of illegal imports.

Domestic textile producers have been urging an import freeze at the 1983 level as well as an import licensing system.

Mr Ronald Levin, director of the office of textiles and apparel in the Commerce Department, noted that the Multi-Fibre Arrangement (MFA) was designed to promote "orderly growth in international trade." Instead, the U.S. had a 25 per cent growth in imports last year and a 44 per cent increase in the first seven months of 1984.

Much of that surge, Mr Levin said, was due to trans-shipments and fraud to evade the quotas established through bilateral negotiations.

A senior customs agent told a congressional committee in July that his agency had identified nearly $2.0bn worth of "illegally shipped" textiles and clothing in a recent nine-month period.

The new regulations, to go into effect on Friday, bar countries from shipping to the U.S. under their own quota apparel assembled from pieces made elsewhere.

So much remains unclear about the rules and so wide is the opposition to them that their implementation on schedule would seem to be impossible.

UK resists Mexico debt change

BY DAVID LASCELLES IN LONDON

THE UK Government has told British bankers that it will not reschedule Britain's official loans to Mexico just yet, despite the banks' own agreement to grant it more generous repayment terms.

The news, conveyed at a private meeting at the Bank of England last week, has annoyed bankers who feel that the Government should help too.

Like the other leading industrial nations, Britain committed itself at July's economic summit to move in parallel with the banks in renegotiating the terms of loans to troubled Third World countries.

However it now claims that it would be disruptive to meet Mexico at the Paris Club – the normal forum for renegotiating official debt – because a condition of such talks is usually the suspension of insurance on officially guaranteed trade credit.

There is also no time to do a deal that matches the jumbo rescheduling of bank debt, which comes up for approval by the large international banks this week.

Officials emphasised that the Government had not reversed its position. "They said 'We are with you, but do not wait for us'," said a banker.

Some UK bankers feel that this is a sign of the Government's reluctance to involve itself in the Third World's debt, however.

"This was the first test of what they said at the summit, and they have backed down" said one banker, who also complained that the Government's decision was "a bit late in the day."

The UK's large lenders to Mexico, headed by Midland Bank and Lloyds Bank, have decided not to make an issue of it this time. "We still think that it is vital that the Government plays its role; but Mexico is the wrong ground to fight the battle," said one bank official.

UK lending to Mexico is comparatively small. Bankers feel they have a better chance of pressing their case over the renegotiation of Brazil's loans, where the sums involved are much larger.

Britain's move aligns it with other important lending countries such as the U.S., Germany and Japan, which in recent weeks have all been trying to discourage their banks from pressing for a rescheduling of official debt to Mexico.

Mexico optimism on debt accord, Page 13

British unions set to back striking miners

Continued from Page 1

union members, 39 per ceot supported the NUM, and 37 per ceot the NCB.

In the docks dispute, ports that have kept open are expected to be heavily picketed today. The Transport and General Workers Union (TGWU), which called the national docks strike 10 days ago, intends to have pickets at many of the 48 ports still working.

The union claimed yesterday that 9,500 of the 13,500 registered dock workers in Britain were on strike, with 24 ports closed. However, Mr John Connolly, the union's national docks secretary, said he was "not satisfied" with the strike at the moment. He said the union would take action to stop companies switching trade from strikebound ports to those which were open.

Mr Connolly ruled out a second vote at Tilbury, London, which is strikebound, despite the confusion at a mass meeting on Thursday. Many of the dockers claimed that the meeting had been in favour of a return to work, but that union officials had interpreted the vote on a complex resolution as a mandate to call a strike.

The dispute, the second in the docks this summer, began over British Steel's use of its own labour to unload a coal ahip, the Ostia, at Hunterston in west Scotland after dockers had refused to handle the ship in support of the striking miners. The miners have sought to reduce the amount of coal reaching British Steel's mill at Ravenscraig, Scotland, for which the Ostia coal was intended.

TGWU leaders believe that British Steel's apparent refusal to negotiate on quotas of coal for Ravenscraig was based on the corporation's view that support for the strike was patchy. Mr Moss Evans, general secretary of the union, said that if British Steel would return to the position before it used "scab" or strike-breaking labour, then "that could be a basis for a more constructive dialogue." The union's leaders accept that strike is likely to be lengthy.

Danish computer group files for bankruptcy

BY HILARY BARNES IN COPENHAGEN

CHRISTIAN ROVSING, Denmark's largest computer manufacturer, has filed for bankruptcy after losing DKr 100m ($9.5m) in the first half of 1984.

The loss followed one of DKr 71m in 1983 as a whole, when turnover increased by 50 per cent to DKr 621m. In a brief statement on Friday night, the company said it had no money to pay its 1,200 employees their August salaries.

Rovsing was engaged in fulfilling big contracts for the delivery of new data information systems – for ticketing, booking and other functions – for Air Canada and American Airlines. The fate of these and other projects is uncertain.

Among those who stand to lose by Rovsing'a filing are institutional investors, mainly in the Netherlands and the UK, who subscribed to private placement share issues in 1982 and 1983. The first of these raised DKr 45m and the second DKr 112m. The share issnes brought Rovsing's equity capital in mid-1983 to DKr 117m on a balance-sheet total of just over DKr 300m. The company's equity capital has since been exhausted, according to Friday's statement.

The storm signals were hoisted over Rovsing in June, when Mr Christian Rovsing, who founded the firm as a one-man business 21 years ago, stepped down from the board of management and Prof Kaare Dullum, Novo's financial director, was brought in to attempt a financial reconstruction.

Antomation and publishing, Page 6

London broker in talks with French bank

By Stefan Wagstyl in London

LONDON stockbroker Laurence Prust confirmed last night that it was discussing links with Banque Nationale de Paris, the sixth largest bank in the world and the biggest in Europe.

Mr William Stuttaford, senior partner at Laurence Prust, said that BNP – which like most French banks is state-owned – was one of eight institutions that had approached Prust in the last few months. No deal has yet been reached, and the talks with BNP do not rule out discussions with other potential partners.

Prust is some way down the list of London brokers in terms of market share.

Capel incentives, Page 4

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Dubrovnik	S	26	79	Malaga	S	27	81	Salzburg	S	25	77
Akrotiri	S	28	82	Faro	S	24	75	Malta	S	27	81	Seoul	R	21	70
Algiers	S	32	90	Florence	S	27	81	Manila	C	31	88	Singapore	T	30	86
Amsterdam	C	26	79	Frankfurt	C	27	81	Miami	C	31	88	Stockholm	S	15	59
Athens	C	28	82	Funchal	S	24	75	Milan	S	27	81	Strasbourg	S	27	81
Bahrain	S	33	91	Geneva	C	27	81	Moscow	C	14	57	Sydney	F	20	68
Bangkok	C	31	88	Gibraltar	S	24	75	Munich	F	25	77	Taipei	C	33	91
Barcelona	S	36	97	Guernsey	S	22	72	Nairobi	F	23	73	Tangier	S	26	79
Beirut	C	29	84	Helsinki	C	15	59	Naples	S	29	84	Tehran	—	—	—
Belgrade	C	29	84	H Kong	R	26	79	New Delhi	C	30	88	Tel Aviv	S	30	86
Berlin	C	29	88	Innsbruck	S	25	77	New York	C	25	77	Tenerife	S	25	77
Biarritz	S	24	75	Inverness	R	13	55	Nice	F	25	77	Tokyo	S	35	95
Blackpool	S	21	79	Istanbul	S	26	79	Oporto	C	33	73	Toronto	C	24	75
Bordeaux	F	26	79	Jersey	S	24	75	Oslo	S	16	61	Tunis	S	30	86
Brussels	C	25	77	Jo'burg	—	—	—	Paris	S	29	84	Valencia	S	32	90
Budapest	S	27	81	Las Palmas	S	26	78	Prague	F	22	72	Venice	S	26	79
B Aires	—	—	—	Lima	C	19	66	Reykjavik	F	10	50	Vienna	F	25	77
Cairo	S	31	88	Lisbon	C	26	79	Rio de J'o	C	27	81	Warsaw	F	18	64
Cape Town	S	17	63	Locarno	S	26	79	Rome	C	31	88	Zurich	S	26	79
Caracas	C	28	82	London	C	24	75								
Casablanca	C	25	77	Los Angeles	C	29	84								
Copenhagen	C	17	63	Luxembourg	S	25	77								
Corfu	S	29	84	Madrid	S	31	88								
Dublin	C	19	66	Majorca	S	29	84								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Pöhl opposes SDR issue

Continued from Page 1

parent shortage of world liquidity as the U.S. draws in funds to finance its huge current-account deficit may turn into a glut if dollar interest rates fall or confidence in the U.S. currency diminishes.

Herr Pöhl did not rule out that agreement might emerge in Washington on another topic – extending the life of the IMF's "enlarged access" facility, through which needy states can borrow extra funds.

Herr Pöhl also indicated that be felt the issue to be of little practical importance since no use had receotly been made of the facility.

THE LEX COLUMN

A balancing act in Tokyo

According to the textbook world of international trade – an ideal world where all trade flows cancel each other out – it is impossible for anybody to run a deficit without some others baving the pleasure of a compensating surplus. Despite all the complications of reality, it is tempting to see this trivial model behind the growing flow of capital from Japan to the trade-deficit countries.

Currently the long-term export of capital from Japan is running at a yearly rate of about $40bn, or even more if the July outflow of $7.2bn were to be repeated, and the flow has been swelling in such a volcanic fashion – from a mere $15bn in the whole of 1982 – that if it simply carried on in the same vein for a couple of years Japan would end up funding the U.S. deficits on its own.

Although things seldom work out along these straightforward lines the persistence of a heavy capital outflow could certainly help the Japanese authorities keep their economy in trim. The export of capital looks like a convenient solution to a string of problems – all of which come together in one long-term objective, to arrange a soft landing for Japan as it comes to the end of its post-war growth era, and a greying population starts to withdraw its savings from the economy.

Indeed, this reduced-growth prospect already seems to be reshaping Japan's financial system. Whereas its primary functioo used to be the funnelling of investment funds towards cash-hungry under-capitalised industries, large parts of the corporate sector have lately been finding their cash flow more than adequate to finance their investmeot plans. So the authorities are having to turn their bands increasingly to the problem of recycling Japan's current account surplus and its excess of savings over industrial investment.

Financial intermediaries are taking on new roles in the drive to push the excess capital overseas. Some fairly unlikely institutions have been drawn into this effort, the labour credit associations apparently increased their foreign boldings by more than 50 per cent in the year to May, as did the regional banks.

More immediately, this process at least bas the pleasing effect of keeping the yen exchange rate under control. Whatever the Japanese authorities may say about their dislike of a cheap yen, their currency refuses to appreciate. The over-simple picture of international trade does suggest, after all, that an overseas investment drive should be a handy way to hold the exchange rate down and keep a trade surplus rolling.

Japanese accounting

Japanese company accounts have traditionally seemed impenetrable to Western eyes, yet as the Japanese financial economy plunges more deeply into Western markets, and as Japanese companies find more foreign shareholders on their registers, financial reporting in Japan has gradually been coming into line with international practice.

Although this convergence is far from complete, one major discrepancy is on the way out. Japanese companies are at last being required to file consolidated figures which treat subsidiaries and associates oo a full equity-accounted basis.

As the change is carried through it might radically alter the standard Japanese view of company performance. This has focused bistorically on parent company accounts, often to the exclusion of facts about the offspring.

Taken to an extreme the deficiencies of this approach were shown up by the Y110bn insolvency of a medium-sized trading company, J. Osawa, in March. That followed a year when the parent company bad declared a profit and paid a dividend even though it was making sizable losses on a group basis.

Even for the most fireproof of blue chip industrial companies, however, the switch to equity accounting could have a considerable impact on reported earnings, making more sense of the apparently inflated prices at which shares trade in the Tokyo market. If analysts are able to look at price/earnings ratios which are based in a consistent way on consolidated group earnings, including profits from affiliates, the overpricing of Tokyo stocks may appear less extreme.

Although this argument is hardly new, the present behaviour of Japanese companies in response to changing disclosure standards indicates that there may be more to gain from group accounting than simple addition would suggest. According to a recent survey only about a third as many manufacturing sectors are likely to show higher parent profits than group profits this year as in 1983. With less compulsion to window-dress parent accounts, Japanese groups might also report the profits of their quoted subsidiaries in a more meaningful way.

Not that Japanese accounts are henceforth to be an open book. There is still some choice about which interests to consolidate, and a rule which exempts companies from equity accounting any affiliate which contributes less than 10 per cent of group profit. As a result the decision to consolidate one set of interests can relieve a company of the need to equity account some others – on the specious grounds that the group has grown.

It is only natural that where there is discretion, companies will exercise it. Some Japanese groups that once voluntarily embraced full international reporting as the price of raising bond finance in the U.S. have since found it more convenient to redeem their dollar debt.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday September 3 1984

Mexico hopeful of finalising debt pact by Thursday

BY MARGARET HUGHES IN LONDON

SR Jose Antonio Gurria, Mexico's chief debt negotiator, and his team return to New York this week for further talks with their 13-member advisory group.

By Thursday they hope to have finalised details of the $48.6bn multi-year rescheduling accord tentatively agreed a week ago, so that the whole package can be presented to Mexico's 560 creditor banks.

Their endorsement is by no means certain, given that some are reluctant to stretch their commitment to Mexico still further. But the bank advisory group is optimistic that it can persuade them to go along with the deal, because it offers Mexico a realistic schedule for repaying its foreign debt.

Banks are anxious to conclude the package ahead of the Latin American debtors' next economic summit due to be held in Mar del Plata in Argentina in two weeks' time. A successful Mexican package would be a visible demonstration to other countries that the positive approach towards readjusting their economies pays off in easier rescheduling terms.

Some key aspects of the Mexican package have still to be resolved, in particular the mechanism for monitoring economic performance once rescheduling moves into a period where there is no IMF agreement.

One issue which earlier threatened the negotiations was the banks' desire to see governments practise what they preach and renegotiate official debt in tandem. Governments, however, have told banks firmly that they would not be doing so. The main argument against is that a condition of a Paris Club renegotation would be suspension of export credit insurance to the debtor country.

Banks, albeit reluctantly, have agreed to the Mexican package without getting this commitment but made it clear that they would not be so accommodating when it comes to countries such as Brazil which are next in line to reopen debt rescheduling negotiations.

Banks have also indicated that, though the Mexican package may be regarded as a prototype for a multi-year solution, other countries should not assume they will get the same terms as Mexico which is in many respects seen to be a special case.

Venezuela, the next country to which a multi-year restructuring formula will be applied, appears once again to be dragging its feet in discussions with its creditor banks. Last week's talks will be resumed in New York after today's Labor Day holiday. The talks could, however, gain in momentum once the economic monitoring mechanism has been finalised for Mexico.

Having agreed a new letter of intent to the IMF this week, Brazil is now starting to pave the way for its next round of talks with the banks scheduled for the autumn.

The Planning Minister, Sr Delfim Netto who visited New York last week, will arrive in London this week. Although no official meeting has been called, be is expected to hold informal talks with creditor banks.

Argentina – which still seems a long way from reaching an agreement with the IMF – has according to banks attending last week's advisory group meeting in Paris, asked for a meeting ahead of the December 15 deadline for repayment of the $740m outstanding on the $1.1bn bridging loan extended in December 1982.

On the credit front, a group of 13 appointed banks is due tomorrow to respond to the Korean development bank request for a $600m, eight-year loan. The Koreans have asked for a margin of ⅜ over Eurodollars for the first three years, rising to ½ in the last five years.

There would be a prime charge at the lenders' option with a margin of 15 basis points and a ceiling of 110 basis points.

Banks would be paid a commitment fee of ⅜ per cent and a front end fee of ⅜ per cent.

INTERNATIONAL BONDS

Dawn breaks after U.S. ruling

BY MAGGIE URRY IN LONDON

DAWN is breaking at last and hearts are lifting in the Eurobond market. Today's Labor Day boliday in New York, which marks the end of the summer, should also signal the beginning of a Euromarket where U.S. corporate borrowers can sell, and Swiss investors fearlessly huy, bonds.

The U.S. Treasury finally explained its new rules for direct issues of bearer bonds to non-U.S. investors to the satisfaction – more or less – of both sides. "There are a few little niggly things left," one new-issue manager said, but most are now actively working on bids for deals and this week should see U.S. corporates launching good old fixed-rate Eurodollar bonds again.

They might even be bappily absorbed if the cheerful tone of last week continues. All last week's deals had some measure of success, with a quite ordinary deal from Nippon Kokan ending the week trading at a ¾ point discount, well inside its 1¼ per cent selling concession. Dealers say they would love to see some of the posh names in the market, and although that is the sort of thing said until it happens, they can point to existing issues from Du Pont and IBM yielding well below U.S. Treasuries.

BHF Bank bond average		
August 31		Previous
99.985		99.893
High	1984	Low
100.009		98.056

Otherwise it was a quiet week for secondary market traders, with prices edging higher as the professionals squared their books ahead of another long weekend. There were some encouragingly genuine signs of retail demand, although not all investors are convinced that the fall in interest rates will endure.

Traders did have a number of "firsts" to interest them, though. Moscow Narodny Bank was awarded a first in the post-revolution Soviet bond stakes, although it is not, strictly speaking, a government agency. Industrial Bank of Japan took advantage of a Ministry of Finance relaxation to launch the first Japanese bond with debt warrants. Where it leads, no doubt other banks will follow.

The proceeds will be swapped using the not-so-new Morgan Stanley formula. The longer, five-year life for the warrants proved popular and rapidly jumped from a $22 issue price to be hid at $27. The bood traded well too, comfortably inside its 1¼ per cent selling concession.

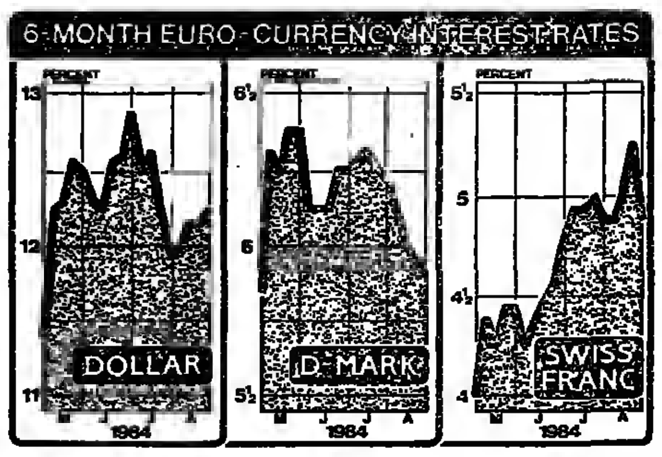
Goldman Sachs brought the AAA-rated name of American International (AIG), the insurance company, to the market with a 20-year, zero-coupon issue. The maturity date is August 15 2004, which coincides with the redemption of the 20-year U.S. Treasury bond. Dealers reckoned that, if it were so minded, AIG could use the $86m proceeds to huy stripped Treasuries and pick up at least half a point of yield in the process.

Morgan Guaranty had a first in the shape of a direct issue from a British company, Hawker Siddeley. Britain's Inland Revenue managed to write in a few lines of this year's Finance Act what it took the U.S. Treasury all that fuss to compose – regulations for bearer issues to non-residents.

It was some consolation for tha British, after the Hawker deal, that one of their own bankers lead-managed the first public Eurobond issue for a U.S. corporate since the Treasury clarification. United Technologies – the Otis Elevator-to-Sikorsky helicopter group – achieved lift-off in the Eurosterling market. The issue went very well, and traded up to a ¼ point discount to its par issue price, compared with total fees of 1⅞ per cent. Given the stroog appetite for and shortage of U.S. names in the sterling sector, there may well be more such issues in the pipeline.

Another couple of Canadian dollar deals appeared last week, and as one trader put it, "this time round we have not killed the market in the process." Friday's issue for the Canadian Federal Business Development Bank might have encountered trouble if the gross commissions had not been quickly increased from 1¼ per cent to the standard 1⅞ per cent. Once that was done, the deal traded around its ⅞ per cent selling concession.

6-MONTH EURO-CURRENCY INTEREST RATES



D-Mark Eurobonds had some catching up to do on the domestic bond market, where yields had dipped to sbow a 15 basis point or so deficit. Eurohond prices gained a point or more in more active turnover than has been seen for some time. The rally gathered pace as the week progressed.

The Swiss markets have not had the benefit of the falling interest rates seen elsewhere, and turnover has continued quiet. At least bond prices are not falling, hut they are making little progress.

The Hong Kong Mass Transit Railway will tomorrow launch the first floating-rate note issue to be sold hy competitive tender. The issue will raise HK$500m.

Lead managers Morgan Guaranty (Hong Kong) and Manufacturers Hanover Asia will invite institutions to bid for the eight-year notes, which will pay interest at ¼ per cent above three-month Hoog Kong interbank offered rate.

A minimum tender price of 99¼ has been set, at which level the issue is fully underwritten hy the lead managers and their 19 co-managers. Bids, for a minimum of HK$1m, must be in by next Friday and they will be ranked the following Monday, September 10.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Riggs National †(b)ɸ‡	60	1996	12	¼	100	Mgn. Stanley, Paribas, Salomon Bros.	–
Secom §ɸ‡	80	1999	15	3¾	100	Nomura Intl.	3.750
Moscow Narodny Fin. †‡	50	1991	7	3/16	100	Deutsche Bank, LBI	–
Nippon Kokan ‡	100	1991	7	13⅛	100	Mgn. Guaranty, Yamaichi Intl., Fuji Intl. Fin.	13.125
Denmark ‡	100	1991	7	13¼	100¼	Mgn. Stanley	13.193
Hawker Siddeley ‡	50	1991	7	13¼	100	Mgn. Guaranty	13.250
Swissair Fin. ¶‡	25	1991	7	8	100	CSFB, SBCI, UBS Secs.	8.000
IBJ Fin ¶‡	100	1989	5	12⅞	100	IBJ Intl., Mgn. Stanley	12.875
American Intl. Grp. ‡	750	2004	20	0	12	Goldman Sachs, Yamaichi Intl., Commerzbank	11.260
OKI Electric §	70	1999	15	3¼	100	Yamaichi Intl., Fuji Intl., Kleinwort Benson	*
CANADIAN DOLLAR							
World Bank ‡	75	1991	7	12¾	99⅛	Wood Gundy, SBCI	12.920
Fed. Business Devt. Bk. of Canada ‡	50	1987	3	12½	100⅛	Wood Gundy	12.448
D-MARKS							
Rhythm Watch ¶ɸ‡	70	1989	5	4¾	100	Dresdner Bank	4.750
Nitto Boseki §‡	50	1989	5	3¾	100	Deutsche Bank	3.750
BFCE ‡	200	1994	10	8⅛	100	Dresdner Bank	8.125
STERLING							
United Technologies ‡	35	1989	5	11⅝	100	SG Warburg	11.750
SWISS FRANCS							
Asahipen **§‡	20	1989	–	2⅜	100	Bque. Mgn. Grenfell en Suisse	2.375
Kurimoto Iron Works **‡	30	1989	–	6	100	CS	6.000
Nagoya Railroad **¶‡	50	1989	–	4¼	100	UBS	4.250
JFM ‡	100	1992	–	5⅝	100	SBC	5.625
United Technologies **‡	100	1990	–	5¼	99½	UBS	5.350
Occ. Petroleum **‡	50	1988	–	6	100	SBC	6.000
Japan Elec. Computer **‡	50	1989	–	6	100	Bque. Paribas (Suisse)	6.000
EDC of Canada	100	1994	–	*	*	SBC	5.625
OKI Electric **§	50	1989	–	3	100	SBC	*
YEN							
Ferrovie dello Stato **‡	10bn	1994	9	7.9	100	LTCB, Daiwa Secs.	8.056
ECUs							
City of Copenhagen ‡	20	1994	8½	11½	*	Kredietbank Lux., Privatbkn. Cop.	*

* Not yet priced. ‡ Final terms. ** Placement. § Convertible. † Floating rate note: coupon is spread over 6-month Libor. ¶ With warrants. (b) Spread over 3-month Libor. ɸ Increased. Note: Yields are calculated on AIBD basis.

U.S. BONDS

Wall Street dislikes what it sees in the crystal ball

U.S. BOND PRICES drifted uneasily lower last week in quiet trading ahead of the extended Labor Day holiday weekend and a general reassessment of market mood.

The sharpest price declines came at the start of a week laden with new Treasury issues and followed the release of the July Federal Open Market Committee (FOMC) report late the previous Friday. The report has significantly dulled any hopes of an easing in the Federal Reserve's monetary policy.

By the close on Friday the new 12.5 per cent Treasury long bond, which had traded below the 100 price level for most of the week, had staged a slight recovery. It reflected a lower Federal funds rate and Fed open market intervention to add reserves through pre-holiday five and four-day system repurchase agreements. At the close the long bond was 1/32 lower on the week and trading at par.

Virtually all sectors of the U.S. markets registered price declines last week as most Treasury bill rates rose by between 10 and 15 basis points. The new 12.75 per cent five-year notes, auctioned on Wednesday at an average yield of 12.78 per cent, closed the week showing a marginal price gain to yield 12.77 per cent.

Corporate bond prices fell by about ½ point on both medium and long term issues while new issue rates were unchanged to 17 basis points higher.

With the autumn trading session officially beginning tomorrow when the markets reopen, most Wall Street analysts, traders, and investors have taken the opportunity to reassess past performance and stare once again into the crystal ball. The picture they are generally coming up with, while not outright bearish, is certainly clouded with uncertainties and, in a wide range of issues, not desperately rosy.

Business borrowing, while showing some signs of topping out, remains strong enough to raise fears of a rebound later this year. Business credit demands soared in the first five months of the year, increasing by around $15.1bn. Since the start of June business loans at the major banks have increased by a further $3.3bn though the latest figures do suggest some slowing.

Similarly the second consecutive decline in the leading economic indicators, which fell by 0.8 per cent in July, helped reaffirm the markets' hopes of a slowdown in the pace of economic expansion—and a Fed-engineered "soft landing."

But senior economists are already warning of a potential rebound in the pre-Christmas period as consumer spending picks up again.

While there has been an undoubted sharp shift in inflationary expectations—the latest AG Becker Paribas "decision makers poll" shows 10-year inflation expectations dropped to their lowest level last month since the poll was started in 1978—economists and, apparently, the FOMC—still have their doubts.

The flood of Treasury paper auctioned last week was generally well received, but there is also a renewed awareness that the deficit problem—and the Treasury funding needs it implies—has not gone away.

Treasury cash borrowing in the final quarter is likely to be between $55bn and $60bn, up from $45bn in the third quarter. While the market is hoping that foreign investors will be tempted by the new certified bonds to step up their already hefty purchases of U.S. government paper, there is a high degree of scepticism on this score.

At the same time some economists fear that companies, disappointed that significantly lower yields have failed to materialise, will respond with a massive flood of new debt issues in a belated effort to pay down their bank borrowings.

Paul Taylor

U.S. INTEREST RATES (%)

	Week to Aug 31	Week to Aug 24
Fed funds wkly av	11.50	11.77
Three-month CDs	11.52	11.45
Three-month T-bills	10.61	10.49
30-yr lng bnd (Aug 23)	12.50	12.48
AAA utility (new)	13.63	13.50
AA industrial	13.38	13.38

Source: Salomon Bros (estimates).
In the week to August 20 M1 rose by $1.7bn to $547.9bn.

FCA to raise $3bn by mortgage portfolio sales

BY WILLIAM HALL IN NEW YORK

THE NEW MANAGEMENT of Financial Corporation of America (FCA), the parent of the biggest U.S. savings and loan group, has acted swiftly to ease short-term liquidity pressures by announcing plans to raise $3bn through the sale of part of its mortgage loan portfolio in return for cash or marketable securities.

In another move to bolster confidence in the troubled company, which last month was forced to restate its earnings to show a $107.5m second-quarter loss, FCA announced that it was to pay an unchanged quarterly dividend on its common stock.

FCA will get the $3bn as soon as it delivers the mortgages. The Federal Home Loan Mortgage Corporation (Freddie Mac), owned by the U.S. savings and loan industry, has negotiated a $3bn swap in exchange for Freddie Mac participation certificates (PC). FCA is expected shortly to complete a similar $1bn deal with the Federal National Mortgage Association (Fannie Mae).

FCA, in common with other savings and loan groups, has done similar deals before, and Freddie Mac officials went to great lengths to prove that the latest swap was not a bail out of FCA.

However, while the swap transactions are being processed, Freddie Mac has taken the unusual step of agreeing to provide cash to FCA under a repurchase agreement, or "Repo." This is an agreement to sell an asset to a purchaser with a similar agreement to buy back the same asset.

Wall Street analysts said that the swap would help ease the short-term liquidity pressures FCA has been facing, with $15bn of its $20bn of deposits scheduled to fall due before the end of the month.

Even more teeth for the MAS

BY CHRIS SHERWELL IN SINGAPORE

THE SINGAPORE Government has introduced another piece of legislation—the third this year—to further enhance the already formidable powers of the Monetary Authority of Singapore (MAS), the island state's quasi-central bank.

The latest bill, which is certain to be passed by parliament, affects finance companies. It allows the MAS to assume control of a company in the event of a possible insolvency, lets it control finance company takeovers and limits the volume, and the number of large credits, a finance company can lend.

The general aim of the legislation is to protect depositors and creditors and springs from an incident in July last year when queues of people formed outside a finance company which the MAS had petitioned—and initially failed—to wind up.

For those working in the broad banking system, it represents an expansion and toughening of MAS powers, and follows parliament's endorsement only last month of a third piece of legislation to widen the role of the MAS.

This gave the MAS wide-ranging powers to control all financial institutions, thereby extending its reach to credit card companies and dealers in financial futures. More significantly, it allows the MAS to act as banker to the many government-controlled corporations which dominate Singapore's economy.

Bankers have expressed concern about the possible impact of this change but the government has argued that all the changes are long overdue. However bankers worry whether the laws may do more than simply formalise the powers the MAS previously exercised through heavy moral suasion.

Emergency loan for Eddie Steamship

TAIPEI — The Taiwan Government has approved a rescue package for Eddie Steamship, the financially troubled shipping group which owns the world's largest fleet of bulk carriers, according to the Economics Ministry.

The Ministry has instructed the state-owned Taiwan Power Company to give Eddie an $18m emergency loan to cover wages for its crews and fuel.

The loan is in the form of an advance payment of freight charges due over the next 18 months for Eddie's shipments of coal from abroad.

The Government has also arranged guarantees by other state companies, such as China Steel and the Taiwan Grain Importers' Association, to continue to use Eddie as carrier for their iron ore and grain for the next three years.

Mr Hsu Wen-Hua, Eddie's chairman, said last week that the company's working capital had dried up and that some of its ships, on mortgage to foreign banks, were in danger of being auctioned to settle debts. The company has debts of some $235m and its creditors include over a dozen foreign banks.

Mr Hsu said about 30 of his more than 100 ships had been forced to dock in ports because the company had no money for fuel. Six had been impounded in Taiwanese and foreign ports because of debts to foreign companies.

Reuter

Safmarine to merge with Rennies

BY JIM JONES IN JOHANNESBURG

SAFMARINE, South Africa's national shipping line, and Rennies, the forwarding, hotels, and industrial group, are to merge as equals. Each company will become a wholly-owned subsidiary of a new holding company, Safren, whose shares will be divided equally between the present shareholders of Safmarine and Rennies.

The main objects of the merger are the creation of a comprehensive travel and tourist organisation and the optimum utilisation of existing capital assets, thereby facilitating further growth in the shipping and leisure sectors. The directors believe that a useful marriage can take place between Safmarine's tourist and shipping operations and the hotel and casino operations of Rennies.

Safmarine and Rennies have not, however, quantified the likely benefits of the merger, though they do say that the group will control total assets of about R1.2bn ($764m) and that after-tax profits will be in the region of R70m.

To give effect to the merger, which will be back-dated to July 1, shareholders in Safmarine are to be offered 45.8 shares in Safren for every 100 Safmarine shares they hold. Rennies shareholders will be offered 100 Safren for every 100 Rennies shares they hold. Rennies and Safmarine will give up their stock exchange quotations and be replaced by Safren.

Old Mutual, South Africa's largest life assurance company, which owns 70 per cent of Rennies' equity and 30 per cent of Safmarine, says that after the merger it will sell sufficient Safren shares to take its interest in the merged group to just less than 50 per cent.

Safmarine has reported a 6 per cent increase in turnover from shipping operations in the year to June 30, to R513m from R484m. Turnover of Associated companies increased to R240m from R64m, a result of Safmarine's acquisition last year of 19.5 per cent of Sun International, the casino and resorts company.

Operating profits from shipping, before interest, tax and depreciation rose to R104.9m from R61.9m. Earnings per share rose to 73 cents from 46 cents and the total dividend has been increased to 35 cents.

Initially the merger will focus on putting together Freight Services and Rennies Shipping. Freight Services is a forwarding company owned equally by Safmarine and Anglo American Industrial Corporation, while Rennies Shipping is a group of shipping services companies in which Rennies has majority ownership. AMIC has agreed to the merger, which will form a new company to be named Rennies Freight Services (RFS), but it has not agreed to proposals that RFS should become a wholly-owned subsidiary of Safren. As a result AMIC and Safren will each own half of the equity of Redbury Holdings which, in turn, will own more than 50 per cent of RFS. A further 44 per cent of RFS will be owned directly by Safren.

INTERNATIONAL APPOINTMENTS

Chairman designate at Aetna Life

By Paul Taylor in New York

AETNA LIFE AND CASUALTY, the biggest U.S. full-time insurance group, has named Mr James Lynn, an Aetna director and lawyer with extensive Federal Government experience, to be the insurance group's vice-chairman, and said it plans to name him chairman later this year. The surprise appointment was made after a board meeting on August 30 at which Mr John Filer, Aetna's current chairman, announced his plans to take early retirement. Mr Filer, who has been chairman and chief executive since 1972 and who will be aged 60 this week, said he had been planning to step aside for "a number of years." Mr Lynn, aged 57, has been an Aetna director since 1978 and is currently the Washington managing partner of the Jones, Day, Reavis & Pogue law firm. He is a former director of the Office of Management and Budget and has held several other posts within the Federal Government. By naming Mr Lynn the heir apparent to the top job at Aetna, the board appears to have side-stepped a number of other senior Aetna executives who had been seen as possible contenders for the chairman's post. Aetna, with $47.6bn in assets, has, in common with other major U.S. insurance groups with extensive property and casualty business, been struggling to maintain earnings. It reported a net loss of $55.5m in the latest quarter.

● The Danish WITCO-GROUP, comprising The West Indian Trading Company and its subsidiaries in Denmark and abroad, has appointed Mr Hugo T. Hansen as director from August 1 and from January 1 1985 as managing director of the group, which has interests in manufacturing, engineering, and trading. Mr Hansen was vice-president of the Danish Atlas Group, and succeeds the head of the West Indian Trading Company Mr Kurt Holdt, who retires at the end of the year.

● Mr Paul F. Renne has been named treasurer of H. J. HEINZ COMPANY, following service as vice president-finance of H. J. Heinz Company of Canada Toronto. He will be responsible for the tax, corporate insurance and financial and banking departments.

Mr Paul F. Renne, treasurer of H. J. Heinz

● Mr Saul Tagarro has been appointed managing director of WEA RECORDS in Spain. He joined WEA in May as general manager. He came from Hispavox where he was managing director.

● GRINDLAYS BANK has appointed Mr G. W. W. Cunningham regional director, South Asia, based in Bombay and responsible for the group's business in India, Bangladesh and Sri Lanka.

● Ms Barbara Newland has been named vice-president of development and operations for SOURCE TELECOMPUTING CORPORATION, a subsidiary of The Reader's Digest Association. She joined the company in August 1981 as manager of new business development. In February 1983 Ms Newland was named director of product design and development.

● THE CHICAGO BOARD OF TRADE has promoted Mr Roger D. Rutz to vice-president—chief financial and regulatory economist. Mr Rutz has served in the economic analysis and planning department since April 1983 as the CBOT's group manager, financial instruments, and since May 1981 as a senior economist.

● Mr Bert Bayley has been appointed a director of AUSTRALIAN NATIONAL INDUSTRIES, Sydney. He joined ANI in 1973 and is responsible for metals and engineering distribution.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alaska Housing 11¼ 94	100	90¼	94¾	0	−0¼	12.73
All Nip. Airways 14 94	100	109½	110	0	+0¼	12.23
American Savings 12 89	125	93¾	94¾	0	+0¼	13.79
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS (continued)	Issued	Bid	Offer	Change on day	Change on week	Yield
Statsforetag 6 92	75	†101	101¾	0	+0¼	5.81
Sweden Kingdom 5¾ 94	125	†101	101¾	0	0	5.58
Tauernkraftwerke 5¾ 94	100	†99	99¾	0	+0½	5.82
Tobu Railway 4 92 WW	100	198¼	96½	+0¼	+1	4.57
Tobu Railway 4 92 XW	100	185¼	87	0	+0¼	6.19
Transcanade Pipe 5¾ 92	100	198¾	99	+0¼	+0¼	5.68
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS — [illegible]

YEN STRAIGHTS — [illegible]

OTHER STRAIGHTS — [illegible]

FLOATING RATE NOTES — [illegible]

CONVERTIBLE BONDS — [illegible]

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	8,123.2	19,669.3
Previous week	12,060.0	13,465.1
Other bonds		
Last week	1,230.9	1,368.1
Previous week	2,112.5	1,261.5

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Blyth, Eastman, Paine Webber International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Long Term Credit Bank; Merrill Lynch; Morgan Stanley International; Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Swiss Bank Corporation International; Wood Gundy.

Closing prices on August 31

UK COMPANY NEWS

Harvey Goldsmith set to trade on stock market

BY STEFAN WAGSTYL

IMPRESSARIO Mr Harvey Goldsmith is to become the first British rock and pop music promoter to appear on the stock market.

Mr Goldsmith, who has made his name and his fortune arranging concert tours for superstars such as Bob Dyland and the Rolling Stones, is reorganising his business interests.

A new company, Allied Entertainment Group, is being formed to take over Harvey Goldsmith Entertainments. It will also take over Hotel Television Network, a company where Mr Goldsmith and his artner Mr Edward Simons, took a stake a year ago.

Allied Entertainment will then assume HTN's facility for limited share dealings under the Stock Exchange's Rule 163(2). The company intends later to apply for a stock exchange listing or for quotation on the Unlisted Securities Market, perbaps within a year.

Mr Goldsmith and Mr Simons will end up with about 44 per cent of the new group, which will be worth about £8m. The remainder will be held largely by institutions who were the major shareholders in troubled HTN.

The deal has been put together by stockbrokers Astaire and Co to rescue HTN which has accumulated heavy losses since being set up in 1982 to provide cable video programmes for hotel bedrooms.

Initially, the service was provided free in the hope that it would be financed by advertising but now the hotels pay.

The venture absorbed £1m when it was launched and a further £1.5m last year before the institutions called for the help of Mr Goldsmith and Mr Simons, a former finance director of the Brent Walker leisure group. The service, which goes to 20,000 hotel bedrooms in London and elsewhere in the UK, is now breaking even.

Harvey Goldsmith Entertainments, owned and controlled by Mr Goldsmith and Mr Simons and their families, has by contrast been consistently profitable. It is expected this year to make pre-tax profits of £490,000 earned from concerts and other ventures including tours by Bob Dylan, Stevie Wonder, Neil Diamond and Queen.

The deal to set up the new group is complex. Allied Entertainments will initially have 1m shares, of which 300,000 will be held by Mr Simons and Mr Goldsmith and the remainder by other former shareholders of HTN. The new company will then have a two-for-one rights issue to raise £2m and separately issue 1.8m shares. These shares and £1.5m in cash will be used to by the new company to buy Harvey Goldsmith Entertainments.

Mr Goldsmith and Mr Simons will then own or control 2.1m of the total 4.8m shares in Allied Entertainments.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims—Arrow Chemicals, Automotive Products, EIS, Electro-Protective, Hawley, Insight, Jersey Electricity, Keen and Scott, Macfarlane (Clansman), J. N. Nichols (Vimto), Willis Faber.

Finals—Consolidated Plantations, London and Gartmore Investment Trust, Palmerston Investment Trust.

FUTURE DATES

Interims:—

Bestobel	Sept. 13
Bremoll (C.O.)	Sept. 17
Brown Boveri Kent	Sept. 13
Cont. Independent Television	Sept. 27
Connells Estates Agents	Sept. 11
Croda International	Sept. 6
Expamet International	Sept. 12
Fitch and Co.	Sept. 7
Francis Industries	Sept. 6
Hampton Trust	Sept. 8
Hartons	Sept. 11
Hyman (I. & J.)	Sept. 11
Invergordon Distillers	Sept. 5
Ramco Oil Services	Sept. 10
Willis Faber	Sept. 11

Finals:—

General Mining Union Corp.	Sept. 13
Harvey and Thompson	Sept. 4
Second Alliance Trust	Sept. 7

COMPANY NEWS IN BRIEF

Elys (Wimbledon), the department store operator, has maintained its turnover at £3.47m, against £3.5m, in the half year ended July 28 1984, but has almost quadrupled its pre-tax profits from £22,000 to £82,000.

After tax £41,000 (£12,000), net earnings are up from 0.89p to 3.44p per share, and the interim dividend is held at 1p. For the 1983-84 year the company made £380,000 and paid a total dividend of 7.5p.

* * *

The optimism expressed by Motyex Holdings is being borne out in 1984, with the first half profit showing an increase from £17,000 to £36,000. Turnover of this maker of components for the television industry was ahead to £535,000 (£644,000). There is no liability to corporation tax.

For the whole of 1983 the company made a profit of £61,000 (£16,000). The directors were hoping for an improvement in the current year but stressed it was likely to be modest because of narrow margins and strong competition.

* * *

Blue Circle, the South African subsidiary of Blue Circle Industries, achieved a trading surplus of R19.08m, against R17.63m (£9.69m), in the six months to end-May 1984.

Results of operations in Zimbabwe have been deconsolidated with effect from December 1 1983 and comparable figures have been adjusted accordingly.

The surplus was subject to depreciation of R7.35m (R7.18m), finance charges of R5.31m (R6.33m), tax of R1.57m (R921,000), and minorities of R90,000 (R251,000).

After adding attributable income of associate companies of R2.04m (R1.17m), the net income attributable to the company emerged at R5.8m (R4.13m). Earnings per share were 25.2 cents (19.7 cents).

* * *

In a progress report the directors of Fleming Fledgeling Investment Trust say they will have no difficulty in recommending a maintained 2.25p total dividend for the year to January 21 1985.

The trust has received some satisfactory dividend increases so far this year. Indications are that revenue available for distribution will be similar to last year's, when the dividend was just uncovered.

* * *

Leisurewear and knitwear manufacturer George Spencer has decided against paying the dividend due on September 19 on the 4 per cent cumulative preference shares. The group has been in loss for the past three years, with the 1983 figure being doubled to £1m. During that time nominal ordinary dividends have been paid.

* * *

In the first full year figures reported since arriving on the USM Polytechnic Marine has produced pre-tax profits up from £702,000 to £915,000 for the 12 months ended May 31, 1984. Turnover of this supplier of advanced satellite receivers for navigation systems, moved up from £3.15m to £4.13m.

The year's single dividend is declared at 2p net, as forecast. Earnings per share are shown as rising 2p to 5.7p.

Tax took £406,000 (£368,000) and there were the extraordinary costs of the USM placing this time at £106,000.

Net asset value came to 11.6p (9.4p).

* * *

Of the 4.19m new ordinary Unitech offered by way of rights on August 8, 4.05m shares (96.6 per cent) have been taken up.

The balance of 142,868 shares has been sold at a premium over the subscription price of approximately 68.8p per share, which will be distributed pro rata to those original allottees who did not take up their rights.

Olivetti takes 31% stake in TABS

Olivetti has taken a 31 per cent stake in British computer software and distributor TABS.

Olivetti, Italian office equipment and information processing company, paid about £1m for the stake in TABS, which is based in Salisbury and was founded four years ago. Olivetti sees the stake as part of its venture capital programme of taking stakes in interesting new companies in the computer area.

British Olivetti said yesterday it was in the market for new ideas.

TABS was founded by Mr Terry Poole who used to work for Digital Equipment Company. It has developed integrated accounting software for Apple micro-computers. As well as developing its own software it has franchised computer dealerships all over the U.K.

TABS has already franchised 60 computer business centres and plans to expand this to 100 under the TABS name. The company is also working on a new generation of its accounting software system.

Apart from Olivetti the other major shareholders include Harbros Bank and the National Coal Board Pension Fund.

Ferranti, the electronics group, is interested in buying the remaining Government stake in CAP, the computer systems company. The company is in talks with the British Technology Group which holds 36 per cent of the company. But Ferranti said yesterday it had made no bid for the shares. CAP wants the Government stake to go to the 1,200 staff of the company.

First half profit shortfall seen at Alexander Russell

A PROFITS shortfall for the current six months trading is on the cards for Alexander Russell, but this can be made up by the year end providing the miners' strike does not go on too long into the winter.

Mr S. R. Nicholson, chairman, told members at the annual meeting "in view of the length of time that the miners' dispute has remained unresolved with no end in sight, it seems unlikely that any of the coal stocks that the company has accumulated will be uplifted by the end of September."

He went on to say there seems little doubt that on top of the extra finance and other costs, the profit element of the coal producing activities will not be reflected in the results for the period ending September 1984.

In addition to the problems at home, Mr Nicholson pointed out that Russell's two American coal operations had only recently returned to profit, and the losses of hte first few months would also effect first half results.

Shareholders were also told that involvement in other new developments would be unlikely because of the financial commitment imposed by the purchase of Springbank Sand and Gravel, and the stocking of coal during an indefinite miners' strike.

Looking beyond the current year, the chairman said that the directors had gained the impression that the NCB was keen to resume expansion of coal tip washing, as it was aware that it would take a long time to return output to a normal level.

Concluding, Mr Nicholson said that he was therefore expecting a number of new developments to start in the early part of next summer, which could see the resumption of some "really worthwhile growth."

● Mr Derrick Cowan, the chairman of Cowan de Groot, told the annual meeting that the first quarter's sales had shown an improvement over the same period last year and indications were that the increased level of trading could at least be maintained.

He aded that the company had emerged from a difficult period with a sound financial base and management resources well equiped to resume progress.

MINING NEWS IN BRIEF

THE SHARES of Cobra Emerald Mines jumped 17p to 65p on London's unlisted securities market yesterday following the news that a further £727,500 is to be injected into the company as a result of a series of moves which will see management of the South African emerald producer pass to South African interests.

Golden Dumps of South Africa will assume management of Cobra, while Mr Lucas Pouroulis and Mercabank have acquired 250,000 shares or 2.5 per rent of the company at 51p a share from Royex Gold Mining, which plans to concentrate on its north American interests.

Mr Pouroulis and Mercabank have also acquired an option to buy a further 2.85m shares at 51p, and have agreed to provide up to R800,000 (£400,000) in loan capital as required.

Canada's Campbell Resources, a major shareholder in Royex, has agreed to provide a further R400,000 in loan capital to Cobra in return for an option to buy 1m shares at 51p.

Cobra also announced yesterday that a settlement of a dispute with its marketing agent and the latter's clients has resulted in a revision of the profit figures for the first year of operation, announced in June. These figures now show a small working loss, instead of the profit of £530,852 announced at the time.

* * *

The big Canadian nickel producer Falconbridge plans to go ahead with an underground exploration programme at its Callahan gold property at Val d'Or, Quebec, adjacent to Kiena Gold Mines, which is controlled by Falconbridge. The nickel group owns 51 per rent of Callahan, with the remainder in the hands of its copper-producing subsidiary Corporation Falconbridge Copper.

Surface diamond drilling from Ire on Lac de Montigny has indicated a mineralised zone containing significant gold values, according to Falconbridge. The first phase of the exploration programme, which is expected to cost some C$6.6m (£3.9m), involves the sinking of a shaft to 260 metres below surface, drifting into the mineralised zone and underground drilling.

The second phase will involve further underground lateral development and drilling, costing some C$2m.

SHARE STAKES

Warrior Resources—Gittins Bird and Co, a company controlled by Mr E. Watkin Gittins, has purchased for its own account 275,000 (approximately 5.1 per cent).

Brunner Investment Trust—The interest of the Equitable Life Association Society, including that of a subsidiary in the ordinary shares amounts to 3.595m ordinary (5.6 per cent).

Triefus—C. F. Triefus, a director, sold 9,000 ordinary shares at 38p on August 13.

Reed International — K. J. Morton, a director, exercised an option and purchased 10,000 shares at 255p which he later sold at 256p.

UBM Group—H. D. M. Wares, a director, has acquired a beneficial interest in 10,000 ordinary. His interest arises from his executorship of the estate of H. M. Wares and the estate's holding of 10,000 ordinary shares.

Smaller Companies International Trust—Following the recent merger with Phoenix Assurance, the Sun Alliance and London Insurance is now the beneficial owner of 2.42m ordinary shares (6.15 per cent).

Great Portland Estates—Following the merger between the Phoenix Assurance and Sun Alliance and London Insurance, the total holding of the new group, which includes Guildhall Insurance Company, is 7.66m ordinary shares (5.44 per rent).

E. W. Tarry loss reduced at midterm

Trading losses were reduced from £519,000 to £24,000 in the first half of 1984 at E. W. Tarry and after a post-tax profit against a loss, from related companies the group was able to show a positive balance at the attributable level.

Tarry, an engineering subsidiary of Williams Hunt, South Africa, suffered a further decline in turnover from £3.17m to £1.76m but the trading result benefited from an increase in rental and interest income.

After adding in the related companies' £471,000 profit (loss £361,000) and extraordinary credits of £39,000 (debits £180,000), the attributable profit came out at £561,000 (loss £942,000). Earnings per share, pre-extraordinary items, amounted to 36p (deficit 44p). The comparable figures cover the six months to August 25 1983.

Jantar £36,000 in the red

The absence of profits from Jantar's Nigerian company, reduced profits from investments in England, and a book loss of £70,186 from a futures contract have resulted in an overall taxable loss of £35,776 (profit £164,020) to calendar 1983.

Jantar is a mining, metals and minerals trader with extensive interests in Nigeria.

The dividend is 0.5p against 1.5p last time, with earning per share given as 0.15p (2.55p). Turnover fell from £764,358 to £472,755.

F.T. Share Information

The following securities have been added to the FT Share Information Service:

Amari (Section: Industrials)
Berkeley and Hay Hill Invests (Property)
Musto Exploration Limited (Mines—Miscellaneous)
TDS Circuits (Electricals)

LADBROKE INDEX
Based on FT Index
848-852 (+2)
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FINANCIAL TIMES STOCK INDICES

	Aug. 31	Aug. 30	Aug. 29	Aug. 28	Aug. 24	Aug. 23	1984 High	1984 Low	Since Compilation High	Since Compilation Low
Government Secs.	78.75	78.75	79.87	79.65	79.76	79.89	83.77	76.72	127.4	48.18
Fixed Interest	83.21	83.21	83.25	83.21	83.36	83.39	87.48	80.43	150.4	50.53
Industrial Ord	853.7	859.5	849.8	832.4	836.d	835.2	922.a	755.3	922.8	49.4
Gold Mines	565.4	568.4	564.0	561.0	570.9	578.4	711.7	485.7	734.7	43.5
FT Act All Share	520.47	518.82	516.13	510.87	515.11	510.12	530.71	464.84	536.71	61.82
FT-SE 100	110.3	1101.9	1096.0	1082.3	1087.2	1081.1	1141.8	986.0	1141.6	986.9

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or –	Net Div.	Times covered	Gross Yield	P.E. Ratio
§98	F.P.	31/8	110	103	✠Alghamerio 5p	104	......	0.7	6.2	1.0	28.4
§76	F.P.	7/9	89	81	✠Blue Arrow	87	......	bg1.2	6.2	2.0	11.6
§62½	F.P.	15/8	86	65	✠Britannic Sec G 10p	80	......	u1.0	3.8	1.8	16.6
¶120	F.P.	23/8	186	125	✠Campsoft Hdgs. 6p	185	......	g1.5	3.0	1.8	16.2
¶185	100	12/9	106	92	Enterprise Oil	101	+5	b7.0	3.2	6.4	8.4
68	F.P.	31/8	60	48	✠EntertainProdSer5p	48	......	b2.85	2.1	6.7	8.4
¶¶	F.P.	—	107	106	Euro.FerrEl.toEFGOrd	107	+2	3.6	2.1	5.1	11.4
¶¶	F.P.	—	115	104	„ Elected to EFG Prf.	115	+4	5¼	—	6.2	—
§105	F.P.	—	160	140	✠Extract Wool 50p	140	..	bg5.075	8.2	3.8	17.0
¶¶	F.P.		38	30	F.&C. Pacific InvWrrts	32	+1	—	—	—	—
¶¶	F.P.	31/8	100	85	Falcon Res. 80p	86	–5	—	—	—	—
160	F.P.	24/9	220	186	Great Western Res.	210	–5	—	—	—	—
¶¶	F.P.	—	£140	138	✠Ind. Scot. Energy £1	135	......	—	—	—	—
¶¶	F.P.	—	£14	£13	Inv. AB Beller 'A'SK.50	£13	......	7.0	b2.5	2.5	16.3
165	F.P.	28/9	181	170	Joguor	180	......	b7.75	2.	6.1	7.5
¶¶	F.P.	—	48	37	MurrayVenturesWrrts	37		—	—	—	—
§214	F.P.	—	282	242	PWS Intnl. 10p	292	+2	8.0	2.7	4.4	10.9
132	F.P.	16/8	132	127	Sarasota Tech'gy 10p	129	+1	g1.9	4.1	2.1	16.7
§56	F.P.	18/8	68	56	✠Tinsley (Eliza) 5p	58		u2.89	2.4	7.1	6.6

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price £	+ or –
100	£30	4/1	33½	30⅞	Amer. Brands 12½% Un. Ln. 2009	32½	......
§99.00	£10	—	8½	8	Bristol Waterworks 11½% Red. Deb. 2004	9	......
§100	£10	26/10	81	10½	Cambridge Water 13% Red. Deb. 2004	17½	...
§96.871	F.P.	—	97¼	87	Edinburgh Inv. Tst. 11½% Deb 2014	97	......
99.161	£30	17/1	30⅛	29¾	Intl. Bk. for Recon. & Dev. 11¾% Ln. 2003	28¾	–⅛
198.152	£25	22/11	22¾	22	Marley 11⅛% Deb. 2009	28⅛	–⅛
—	F.P.	—	100⅞	99⅞	Nationwide 12¼% 5.8.85	100⅛	...
—	F.P.	—	100	100	„ 10⅞% 27.8.85	100	...
§100	£10	5/9	13½	10½	Portsmouth Water 13¾ Red. Deb. 1994	12¾	......
¶	F.P.	10/9	96	86	TR Energy 8% Cnv. Une. Ln. '97-2001	95	...
¶	Nil	14/9	60ppm	34ppm	Trans-Natal Coal 12.7% Urs. Cnv. Deb	34ppm	–2
§100	£10	27/9	13½	10½	York Waterworks 13⅜ Red Deb. 1994	12¾	......

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date ■	1984 High	1984 Low	Stock	Closing price	+ or –
†133	F.P.	20/9	140	133¼	✠Applied Botanics Units	138	–1
A$5.7	Nil	21/9	80pm	45pm	ANZ A$1	73pm	–2
11	F.P.	21/9	13	11	Aluomol Bros.	13	+1
85	F.P.	14/8	100	85	Falcon Res. 20p	85	–5
836	F.P.	28/9	310	237	Hill Samuel	305	......
110	Nil	26/9	35pm	30pm	✠Ind. Scotland Energy £1	30pm	...
4	F.P.	14/9	4⅛	2½	LOFS Pfd. Ord. 1p	2½	–½
200	Nil	7/11	290pm	257pm	NatWest Bank £1	270pm	–3
90	Nil	28/9	25pm	15pm	Norton Opax 10p	28pm	......
A$4	A$2	7/9	300pm	183pm	Santos A0.25c	300pm	+10
370	F.P.	10/8	443	379	Thorn EMI	415	–3
192	F.P.	12/10	265	268	Unitech 10p	265	......
375	F.P.	7/8	445	428	Waddington (J)	443	–2

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. C Canadian. F Dividend and yield based on prospectus or other official estimates for 1984. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‡ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ■ Allotment letters (or fully-paid). ‖ Introduction. ✠ Unlisted Securities Market. § Placing price. † Units comprising 6 Ord. £1 and 12 per cent Cnv.Une.Ln. 95/2000.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
*Acrow	Sept 25	Final nil
Anglo American Gold Inv.	Sept 1	Interim 500c
AB Ports	Sept 15	Interim 3
*Autote	Sept 12	Interim nil
*Automotive Products	Sept 3	Interim 0.5
BAT Indusis	Sept 21	Interim 3 375
*BP	Sept 6	Interim 7.0
BTR	Sept 13	Interim 6
*Bank of Scotland	Sept 25	Interim 11.5
Barratt Devs	Sept 20	Final 5.31
Bell (Arthur)	Oct 4	Final 2.85
*BICC	Sept 5	Interim 3.5
*Booker McConnell	Sept 6	Interim 1.65
*Bowater	Sept 13	Interim 3.5
*Brent Chems	Sept 18	Interim 0.6
British Aerospace	Sept 13	Interim 3.5
*Brixton Estate	Sept 18	Interim 1.9
*Brown Boveri Kent	Sept 13	Interim 1
*Burmah Oil	Sept 13	Interim 3.5
Canning (W.)	Sept 12	Interim 0.5
Charterhall	Sept 22	Final 0.3
Charterhouse Group	Sept 1	Interim 2.025
Coats Patons	Oct 13	Interim 1.5
Comb English Stores	Sept 27	Interim 1.49
*Consolidated Gold Fields	Sept 18	Final 16
*Cookson	Sept 6	Interim 3 7
Costain	Sept 13	Interim 5.5
*Croda Int	Sept 6	Interim 3
Currys	Oct 3	Interim 1.4
*ORG	Sept 26	Interim 3.0
Dalgety	Sept 20	Final 11.0
Debenhams	Oct 7	Interim 2.2
Delta	Sept 8	Interim 1.82
Dunlop	Sept 22	Interim nil
*EIS	Sept 3	Interim 1.65
Eastern Produce	Sept 28	Interim 1 5
*Expamet Intl	Sept 12	Interim 2.0
Fisons	Sept 15	Interim 5.0
Freemans	Oct 3	Interim 1.8
*Gen. Mining	Sept 13	Final 55c
Glaxo	Oct 10	Final 6.25
Grattan	Sept 29	Interim nil
*GRE	Sept 6	Interim 7.75
Hambro Life	Oct 5	Interim 4 7
Hammerson Prop	Oct 14	Interim 3 0
*Hawley	Sept 3	Interim 0.65
*Hepworth Ceramic	Sept 6	Interim 2.5
Higgs & Hill	Oct 5	Interim 4.0
Home Charm	Sept 13	Interim 0.75
House of Fraser	Sept 29	Interim 2.5
*Ibstock Johnsen	Oct 3	Interim 1.75
*Inchcape	Sept 27	Interim 7.15
Invergordon	Sept 12	Interim 1.5
*Kleinwort Benson	Sept 4	Interim 4.5
Laing (J.)	Sept 29	Interim 1.25
Laird	Sept 10	Interim 2.2
Laporte	Sept 21	Interim 4 0
Legal and General	Sept 14	Interim 6
*London Merchant Secs	Sept 11	Final 1.05
Menzies (J.)	Sept 22	Interim 2.0
Mills and Allen	Sept 28	Final 9.0
Morgan Crucible	Sept 1	Interim 3.5
Mowlem (John)	Oct 13	Interim 2.2
NEI	Sept 29	Interim 1.65
*P & O Dfd	Sept 5	Interim 4
*Petrson	Sept 7	Interim 5
*Provident Financial	Sept 4	Interim 3
*Prudential	Sept 13	Interim 5.5
RMC	Sept 21	Interim 4.1
*Ransomes Sims & Jefferies	Sept 17	Interim 5 0
Raybeck	Aug 25	Final 0.25
*Reckitt and Colman	Sept 5	Interim 4.55
*Reuters	Sept 13	Interim due
Rio Tinto-Zinc	Sept 21	Interim 6.0
*Rowntree Mackintosh	Sept 20	Interim 3.2
Rugby Portland Cement	Oct 5	Interim 2.7
Schroders	Sept 8	Interim 0.44
Scottish Met. Prop	Oct 12	Final 2.0
Sears	Oct 4	Interim 0.7
*Sedgwick	Sept 6	Interim 2.75
*Sime Darby	Sept 1	Final 8.8
*Simon Eng	Sept 17	Interim 4.0
Superdrug	Sept 29	Interim 1.4
Steetley	Sept 22	Interim 4.0
*Stewart Wrightson	Sept 7	Interim 3.85
*Sun Alliance	Sept 5	Interim 2 2
*Tarmac	Sept 17	Interim 3.6
Travis and Arnold	Sept 26	Interim 1.68
*Turner and Newall	Sept 13	Interim 0.25
UEI	Oct 14	Interim 2.0
*Utd Biscuits	Sept 12	Interim 2.7
*United Newspapers	Sept 25	Interim 5
Vickers	Sept 22	Interim 3.0
*Willis Faber	Sept 11	Interim 6
Wimpey (Geo.)	Sept 29	Interim 0.55
Woolworth	Sept 14	Interim 2

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

Closing prices, August 31

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23¾	13¼	AAR	.46	2.1	23	30	22⅜	22¼	22⅜	−⅛
18⅞	13⅛	AMF	.50	3.0	152	618	16⅝	16½	16¾	
41¼	24¼	AMR			4	3003	27⅞	27¼	27⅝	+½
20⅞	16	AMR	pf2.16	11.		2	19⅝	19⅝	19⅝	
41½	27½	AMR	pf2.10	7.1		103	29¼	29⅛	29¼	+⅛
25½	22⅞	ANR	pf2.67	11.		4	23⅛	23⅛	23⅛	−⅜
16¼	8½	APL			4	10	10⅛	10⅛	10⅛	+¼
55¼	40⅛	ARA	2.10	4.1	10	60	51¼	50⅝	51¼	+¼
70⅛	44¼	ASA	3a	5.6		63	53⅞	53½	53⅞	+⅛
30¾	18⅞	AVX	.32	1.3	16	120	25½	25⅜	25½	
53⅞	38¼	AbtLab	1.20	2.5	16	1111	47⅛	46⅝	47¼	+¼
35⅞	23¼	AccoWd	.66	1.9	20	201	34⅝	34¼	34⅝	+⅛
27¼	12½	AcmeC	.40	2.7		170	14¾	14½	14¾	
12⅛	8¼	AcmeE	.32b	3.4	15	2	9½	9½	9½	
24⅞	11	AdmDg	.04	.2	9	25	16½	16¼	16¼	
18¼	15	AdaEx	2.11e	13.		25	16¼	16⅛	16⅛	−⅛
18⅞	11⅞	AdmMl	.28	1.8	10	5	15⅝	15⅝	15⅝	+⅛
22	13½	AdvSys	.80t	4.5	17	82	18½	18	18⅛	+⅛
41⅛	25⅛	AMD			29	2440	39¼	38⅝	38⅝	−½
17⅛	7¼	Advest	.12	1.2		24	10	9⅞	9⅞	−⅛
30	9⅝	Aerflex			12	63	12½	11¾	12¼	+¼
39	27¼	AetnLf	2.64	7.6	32	1925	35½	34⅞	34⅞	−⅛
58¼	54	AetL	pf5.48e	9.6		45	57	56¾	57	+⅛
34½	15¾	Ahmns	1.20	6.3	5	1065	19⅛	18½	19	−⅛
6⅞	2⅝	Aileen				211	3¼	3	3¼	+⅛
51	35½	AirPrd	1	2.1	11	127	48	47½	48	+⅛
30¾	13	AirbFrt	.60	3.7	9	22	16⅜	16¼	16¼	
3⅝	1⅞	AlMoa	s.50e	14.		79	3⅝	3½	3½	
31⅞	25¾	AlaP	pfA3.92	14.		21	28⅛	28	28	−⅛
[illegible]										

Continued on Page 17

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, August 31

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
9 1/8	3 1/4	ADI	n		15	94	6 1/8	5	5	-1/4
3 3/8	1 1/4	AICPh				5	1 1/2	1 1/2	1 1/2	+1/8
15 1/8	8 3/4	ALLab	n		11	2	10 1/2	10 1/2	10 1/2	
13 3/4	12 1/4	AMC	n .12p	9	12	17	13 5/8	13 5/8	13 5/8	-1/8
6 5/8	2 1/8	vjAMIn				195	3 1/4	3 1/8	3 1/4	
3 1/2	1/2	ATI				19	1 1/8	1 1/8	1 1/8	
69 1/2	56	ATTFd	n3.68e	5.5		82	67 1/4	67	67 1/4	+1/4
7 1/4	2 1/4	AcmePr				4	3 1/4	3 1/4	3 1/4	
17	10 1/2	AcmeU	.32	2.9	11	11	11 1/8	11	11	-1/4
16 7/8	9 3/8	Acton			32	8	13 5/8	13 3/8	13 5/8	
8 1/4	5 1/4	Acton				1	6 1/4	5 1/4	5 1/4	
5 1/8	2 1/4	AdmRs			4	190	3 1/8	2 7/8	3	-1/8
27	15 7/8	AdRusl	e.10	.5	19	15	22 1/4	22	22 1/2	
25 3/4	15	Adobe	.24	1.3	13	76	19	18 5/8	18 7/8	-1/4
6 1/8	3 1/8	Aerget			14	4	4 3/8	4 1/4	4 1/4	
7 1/2	4	Aeronc			8	64	6 3/4	6 5/8	6 1/4	
50	38 3/8	AlfPub	.80	1.6	18	234	u50 1/4	50	50 1/4	+1/4
9 1/4	6	AirExp			61	28	8 1/2	8 3/8	8 1/8	-1/2
6 5/8	3 1/8	Alamco			2	21	3 5/8	3 5/8	3 5/8	
17 1/8	8 3/8	AlbaW	.20e	2.2	6	10	9 1/8	9	9 1/8	+1/4
8 1/2	2 1/4	AlnTre				6	2 1/8	2 1/8	2 1/8	+1/4
9 1/4	6 5/8	Aloha	.48r	6.6	2	4	7 1/4	7 1/4	7 1/4	+1/4
23 1/8	12 1/4	Alphain	.05	.3	23	9	18 5/8	18 1/2	18 1/2	
2 3/8	1/2	Altex				30	1	7/8	1	+1/8
35	28 5/8	Alcoa	pf3.75	11.		z50	32 3/4	32 1/4	32 3/4	+1/2
20 1/2	11	AlzaCp			56	43	17	16 1/2	16 5/8	-1/8
20 1/2	9 1/2	Amdahl	.20	1.6	15	403	12 5/8	12 1/4	12 3/8	+1/4
20 1/8	7 1/4	Amedco	.08	.8	11	48	9 1/2	9 1/2	9 1/2	
6 1/2	4 1/4	AmBilt	.16	2.7	5	10	6 1/8	5 7/8	5 7/8	
9 1/4	2 3/4	AmCap				2	5 3/8	6 1/4	6 5/8	-1/8
34	12 1/4	AExp	wt			71	20 1/8	18 7/8	18 7/8	+1/4
12 3/4	10 1/8	AHlth	n			323	11 1/8	11 1/8	11 1/8	-1 1/8
8 5/8	4	Alsrael			2	4	6	5 7/8	6	+1/8
19 5/8	14 1/4	AMzeA	.52	2.7	8	37	19 1/2	19 1/4	19 1/4	
11 1/8	1/2	AMBld	v			504	1/4	1/8	1/8	-1/4
21 1/4	12 1/2	AMotl	6.16	.7	14	1701	21 1/2	21 1/8	21 1/8	+1/4
11 7/8	5 1/8	AmOil			23	2	6	6	6	
64 1/4	50	APetf	3.30	5.4	9	36	60	59 1/4	59 1/4	-1/4
8 1/8	1 1/4	AmPln	v			7	1 1/2	1 1/2	1 1/2	+1/8
17 7/8	9 1/2	APrec	s		23	2	17 5/8	17 5/8	17 5/8	-1/4
6 1/2	6	AmRity			9	9	6 1/4	6 1/4	6 1/4	
4 1/4	1 7/8	Ampal	.06	3.0	4	30	2 1/8	2	2	-1/8
5 1/4	3 1/2	Andal			17	123	5 1/8	5 1/8	5 1/8	+1/8

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16 1/4	10 1/2	Sercn	.30a	2.4	10	12	12 5/8	12 3/4	12 3/4	+1/2
8 7/8	5 1/8	Silco	.20	2.9	25	14	7 1/8	7 1/8	7 1/4	-1/8
13 7/8	6	SikesA	s .20	1.8	10	190	11 3/8	11 1/4	11 1/4	+1/8
11 1/2	4 5/8	Slvrcst			23	1	5 1/4	5 1/4	5 1/4	+1/8
6	2 7/8	SimcoS			12i	5	3 1/2	3 1/2	3 1/2	
102	42 5/8	SmthF	1.80	1.8	10	6	101	100 3/4	101	-1/2
21 1/2	10 3/8	SmthA	n.48	3.7	5	11	13 1/8	12 7/8	13 1/8	+1/4
20 1/4	9 1/4	SmthB	n.48	4.0	4	12	12 1/2	12	12	
16 1/2	12 7/8	Snyder	2	14	13	15	14 1/4	14	14 1/4	+1/8
9 5/8	5 1/4	Solitron			24	20	6 1/2	6 1/2	6 1/2	
2 1/2	1	SoTex				11	1 1/8	1 1/8	1 1/8	
9 3/4	7 5/8	SCEd	pf1.02	12.		21	8 1/4	8 1/4	8 1/4	+1/8
9 5/8	7 1/4	SCEd	pf1.08	13		2	8 1/4	8 1/4	8 1/4	-1/8

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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 16

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		WelFM	2.80	12	8	33	24	23 5/8	24	+1/4
		Wendy	s .24	1.2	17	549	20	19 7/8	19 7/8	
		WestCo	.44	2.4	10	27	18 5/8	18 1/4	18 1/4	-1/8
		WPenP	pf4.50	13		z20	35	35	35	-1/4
		WstPtP	2.20	5.7	7	1597	39 1/4	38 1/2	38 5/8	
		WnAirL				465	3 1/8	3	3 1/8	+1/8
		WtAir	wt			137	1	15-16	1	+1/8
		WAir	pf 2	23.		88	9 1/8	8 7/8	8 1/2	+1/4
		WAir	pf2.14	23		110	3 1/8	9 1/4	9 1/4	+1/8
		WCNA				91	6 1/4	6 1/2	6 1/4	+1/4
		WPacl			5	19	97	96 3/4	97	+3/4
		WUnion	1.40	6.8		752	21	20 1/2	20 5/8	-1/8
		WnUn	pf4.60	9.0		1	51	51	51	+1
		WUn	dpf1.18	14		22	8 5/8	8 1/8	8 1/4	-1/8
		WUn	pf			25	14 1/2	14 1/8	14 1/2	+1/4
		WUTl	pf2.58	14		20	18 1/2	17 1/4	18	+1/4
		WstgE	s 1	3.8	3	1519	26 1/4	25 5/8	26 1/4	+1/8
		Westvc	1.32	3.3	10	87	40 3/8	39 1/2	40 1/4	+1/8
		Weyerh	1.30	4.5	16	583	30 1/4	28 1/2	28 3/4	+1/8
		Weyr	pf2.80	7.4		48	39	37 5/8	38	-1/4
		Weyr	pr4.50	5.9		30	45 3/4	45 1/4	45 1/2	+1/2
		WhelPit			7	22	21 1/4	22		+1/4
		WhPit	pf 6	15		z100	32 1/2	32 1/2	32 1/2	
		Whrlpl	2	4.6	3	142	43 7/8	43 1/2	43 5/8	
		WhitC	1.50	4.7	9	63	31 5/8	31 1/2	31 5/8	-1/8
		WhitC	pfC3	7.3		10	38	37 7/8	38	+1/2
		Whitehl			3	50	24 1/4	23 5/8	23 7/8	-1/8
		Whittak	.60	3.1	6	691	19 5/8	19 1/4	19 1/2	
		Wiebldt			54	17	8 1/4	8 1/4	8 1/8	-1/2

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
30 1/8	22 1/4	Willam	1.20	4.0	6	885	30 1/4	29 3/4	30 1/4	+1/2
13 1/8	2 1/8	WilmEl				20	5	4 7/8	2 7/8	-1/8
10 1/8	6 5/8	WilshrO	.20	2.5	22	9	7 7/8	7 7/8	7 7/8	
34 5/8	25 1/4	WinDix	s1.66	5.6	11	36	30 1/4	29 3/4	30 1/8	-1/8
21 7/8	7 1/4	Winnbg	.10a	.9	12	696	11 1/4	11 1/8	11 1/8	
16 1/4	7 1/4	Winner			16	56	10 1/8	10 1/2	10 1/2	
12 3/8	5	WinterJ				37	5 1/2	5 1/2	5 1/2	
29 1/8	23 1/4	WiscEP	2.28	7.7	7	331	u29 5/8	29 1/4	29 1/2	
69	59 1/2	WisE	pf7.75	12		z160	63 1/2	63 1/2	63 1/2	-1/2
29 1/2	24 1/8	WiscPL	2.56	9.2	7	20	27 7/8	27 1/4	27 7/8	+1/4
30 1/2	24 1/4	WiscPS	2.56	8.6	7	29	29 5/8	29 5/8	29 3/4	-1/8
39 1/8	27 5/8	Witco	1.48	4.3	8	59	34 5/8	34 1/4	34 1/4	+1/8
20 1/4	9 1/8	WolvrW	.48	3.4	20	808	14	13	14	+5/8
29 1/2	18 5/8	WoodPt	.72	3.2	18	52	23 1/8	22 1/2	22 5/8	-1/8
29 3/4	22 7/8	Wolwth	1.80	4.9		424	37	36 3/4	36 7/8	-1/4
54 5/8	42 1/2	Wolw	pf2.20	4.3		1	51 1/4	51 1/4	51 1/4	
5 1/4	3 1/8	WrldAr				10	3 1/8	3 1/8	3 1/8	
60	45	Wrigly	1.80a	3.2	10	20	56 5/8	56	56 5/8	+5/8
8 7/8	3 1/4	Wurltzr			90	17	4 1/2	4 1/2	4 1/2	
25 1/8	10 3/4	WyleLb	.32	1.9	10	173	16 5/8	16 1/2	16 1/2	+1/8
21	16 1/2	Wynns	.60	3.4	9	10	17 1/8	17 1/2	17 5/8	-1/8

X—Y—Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
52 1/8	33 1/4	Xerox	3	7.8	10	x6671	39 1/2	38 1/8	38 1/2	-1/8
51 1/8	45 1/4	Xerox	pf5.45	11		z3	48 1/4	47 1/2	47 7/8	+1/8
37	19	XTRA		2.4	10	170	26 1/4	25 3/4	26 1/4	+1/8
34	24	ZaleCp	1.32	4.8	10	713	28	27 1/2	27 1/2	-1/8
24 7/8	15 1/4	Zapata	.84	4.2	14	67	20 1/2	19 7/8	19 5/8	-1/2
40	28 3/4	Zayre	.40b	.6	13	481	47 1/2	47	47 1/2	+1/4
36 5/8	20	ZenithE			10	538	25 1/4	25 1/4	25 1/4	
27 7/8	13	Zero	s .36	1.5	16	11	24 7/8	24 1/2	24 5/8	+1/8
34	21 1/4	Zurnin	1.32	5.2	13	40	25 5/8	25 1/4	25 3/8	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a—dividend also extra(s). b—annual rate of dividend plus stock dividend. c—liquidating dividend. cld—called. d—new yearly low. e—dividend declared or paid in preceding 12 months. g—dividend in Canadian funds, subject to 15% non-residence tax. i—dividend declared after split-up or stock dividend. j—dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k—dividend declared or paid this year, an accumulative issue with dividends in arrears. n—new issue in the past 52 weeks. The high-low range begins with the start of trading. nd—next day delivery. P/E—price-earnings ratio. r—dividend declared or paid in preceding 12 months, plus stock dividend. s—stock split. Dividends begins with date of split. sls—sales. t—dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u—new yearly high. v—trading halted. vi—in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd—when distributed. wi—when issued. ww—with warrants. x—ex-dividend or ex-rights. xdis—ex-distribution. xw—without warrants. y—ex-dividend and sales in full. z—sales in full.

WORLD STOCK MARKETS

OVER-THE-COUNTER

Nasdaq national market, Closing prices, August 31

[illegible]

Continued on Page 19

CANADA

TORONTO

Closing prices August 31

[illegible]

MONTREAL

Closing prices August 31

[illegible]

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 17

[illegible]

AUSTRIA

1984 High	Low	Aug. 31	Price %
222	205	Credit'stalt Pfd.	207
342	318	Goesser	332
410	397	Interunfall	400
216	203	Laenderbank	209
323	300	Perlmooser	342
161	139	Steyr–Daimler	141
220	206	Veitscher Mag	214

BELGIUM/LUXEMBOURG

1984 High	Low	Aug. 31	Price Frs.
1,675	1,220	ARBED	1,610
5,330	4,965	Banq Int A Lux	5,300
4,420	3,105	Bekaert B	4,340
2,675	2,010	Ciment CBR	2,673
328	173	Cockerill	260
5,850	4,750	Delhaize	5,700
2,790	2,280	EBES	2,750
7,650	5,350	Electrobel	7,650
2,425	1,800	Fabrique Nat	2,020
3,595	3,050	GB Inno BM	3,380
2,900	2,120	GBL (Brux)	2,400
3,660	2,970	Gevaert	3,500
6,480	4,860	Hoboken	5,300
3,000	1,803	Intercom	2,100
7,800	6,380	Kredietbank	7,000
10,000	8,950	Pan Hldgs	9,630
8,210	6,010	Petrofina	7,300
9,580	7,320	Royale Belge	9,400
3,500	2,895	Soc. Gen. Banq	3,190
1,930	1,600	Soc Gen. Belge	1,890
7,050	5,190	Sofina	6,890
4,370	3,430	Solvay	4,310
4,300	3,123	Tractionel	4,070
5,440	3,795	UCB	5,320
4,850	3,700	Vieille Mont	4,390

DENMARK

1984 High	Low	Aug. 31	Price Kr. %
480	325	Aarhus Olie	455
362	216	Andelsbanken	255
720	310	Baltic Skand	365
350	207	CopHanBelsbank	239
850	390	D. Sukkerfab	560
335	205	Danske Bank	253
218	165	East Asiatic	192
1,350	850	Forenede Bryag	215
[illegible]	[illegible]	[illegible]	[illegible]

GERMANY

1984 High	Low	Aug. 31	Price Dm.
109.8	80	AEG-Telef.	90.9
888	725	Allianz Vers.	888
179.2	146.5	BASF	163
186.5	152.2	Bayer	165.3
304	247	Bayern-Hypo	260.5
358	287	Bayern-Verein	309
318	219	BHF-Bank	237
453	290.5	BMW	380.5
247.5	194	Brown Boveri	196
190	136.5	Commerzbank	149.3
141.8	107.4	Conti Gummi	114.8
638	513	Daimler-Benz	540.2
412	338	Degussa	344
122.9	136.6	D'sche Babcock	155.5
382.6	302.1	Deutsche Bank	326.5xr
182.8	132.6	Dresdner Bank	131.6
159.6	125.6	GHH	138
623	460	Hochtief	506xm
196.5	153.5	Hoechst	168.5
132.5	87.6	Hoesch Werke	94.9
466.5	322	Holzmann (P)	392
203	151	Horten	166
232.6	121.2	Kali und Salz	338
283	219.8	Karstadt	240.3
269.8	188	Kaufhof	230.6
284.5	212	KHD	235.5
70	47.9	Kloeckner	67.5
94	72	Krupp	78.6
418	338	Linde	363
170.6	133	Lufthansa	166.5
158.6	123	MAN	144
135	131.8	Mannesmann	140.5
661	449	Mercedes Hld.	480
242	200	Metallgesell.	204
1,370	910	Muench Rueck	1,020
288	216.6	Preussag	247
188.8	162.6	Rhein West Elect	157.6
291	227.5	Rosenthal	238
386.5	317	Schering	355
417.9	363.5	Siemens	403
84.6	69.3	Thyssen	75.7
190	160	Varta	171
186	159.5	Veba	164.5
127.9	108.5	V.E.W.	115.3
333	283	Verein-West	321
231.8	163	Volkswagen	169

NORWAY

1984 High	Low	Aug. 21	Price Kroner
190	142.5	Bergens Bank	161.5
340	216	Borregaard	302
190	145.5	Cristiania Bk.	150
199.5	145	Den Norsk Credit	150
187.5	113	Elkem	122
347	252	Norsk Data	322.5
687.5	612.3	Norsk Hydro	647.5
278.5	186	Storebrand	220

AUSTRALIA

1984 High	Low	Aug. 31	Price Aust. $
6.93	4.27	ANZ Group	4.00
1.80	1.45	Acrow Aust	1.8
0.94	0.50	Alliance Oil Dev.	0.93
2.11	1.40	Ampol Pet.	1.7
1.95	1.65	Aust. Cons. Ind.	1.88
3.10	2.33	Aust Guarantee	2.97
2.76	1.90	Aust. Nat. Inds.	2.3
[illegible]	[illegible]	[illegible]	[illegible]

NETHERLANDS

[illegible]

ITALY

[illegible]

FRANCE

1984 High	Low	Aug. 31	Price Frs.
1,899	1,870	Emprunt 4½% 1973	1,891
10,020	9,050	Emprunt 7% 1973	9,110
3,969	3,420	CNE 3%	3,570
575	497	Air Liquide	540
451	375	BIC	439
836	560	Bouygues	632
2,885	2,401	BSN Gervais	2,650
1,558	1,012	CIT Alcatel	1,139
1,915	1,005	Carrefour	1,549
976	714	Club Mediter	959
720	532	CFAO	602
685	427	Cie Bancaire	557
262	207	Cofimeg	228
995	780	Darty	995
941	693	Dumez S.A.	725
599	468	Eaux (Cie Gen.)	540
278	170	Elf Aquitaine	233
683	337	Gen. Occidentale	665
97.4	83.9	I.M.E.T.A.L.	88.2
393.3	300	Lafarge Coppee	343.5
2,600	2,101	L'Oreal	2,500
2,340	1,776	Legrand	1,945
357	190.0	Maisons Phenix	190.0
2,050	1,300	Matra S.A.	1,579
1,054	740	Michelin B	803
1,713	1,372	Midi Cie	1,700
1,757	1,313	Moet Hennessy	1,738
140.5	90	Moulinex	103.8
56.2	43.7	Nord Est	49.4
845	602	Pernod Ricard	807
674	462	Perrier	518
313	184.5	Petroles Fra.	229.8
257.8	172.5	Peugeot SA	209
73.8	37.3	Poclain	35.0
174.2	130.2	Printemps (Au)	136
410	243	Radiotech	243
1,340	1,000	Redoute	1,150
1,356	726	Roussel Uclaf	1,356
373	236	Selimeg	258
1,520	1,180	Skis Rossignol	1,441
1,799	1,470	Telemech Elect	1,799
348	239	Thomson (CSF)	345
358	205	Valeo	224.5

SPAIN

1984 High	Low	Aug. 31	Price Pts %
[illegible]	[illegible]	[illegible]	[illegible]

SINGAPORE

[illegible]

JAPAN

[illegible]

HONG KONG

[illegible]

SWITZERLAND

[illegible]

SWEDEN

1984 High	Low	Aug. 31	Price Kronor
[illegible]	[illegible]	[illegible]	[illegible]
370	275	Esselte	306
375	220	Mo Och Domsjo	326
247	185	Pharmacia (Free)	211xc
600	510	Saab Scania	550
425	310	Sandvik	415
446	345	Skandia	367
78	69	Skan Enskilda	82.5
222	164	SKF	177
790	652	St. Kopparbergs	710
237	172	Sven Handelsbn.	175
308	220	Swedish Match	236
258	232	Volvo B (Free)	245

SOUTH AFRICA

1984 High	Low	Aug. 31	Price Rand
2.2	2.35	Abercom	1.47
9.75	7.2	AE & CI	7.9
36.5	23.5	Anglo Am. Coal	36.5
35.5	10.75	Anglo Am Corp	25.25
186.5	127	Anglo Am. Gold	156.0
23.5	15	Barclays Bank	16.5
14.95	10.2	Barlow Rand	12
88.5	55.8	Buffels	80
3.6	1.9	CNA Gallo	2
5.5	3.4	Currie Finance	3.5
10.2	8.3	De Beers	9.12
49.75	36.5	Driefontein	49.4
86.5	25	FS Geduld	49.5
33.3	22.5	Gold Fields S.A.	27.25
6.5	4.45	Highveld Steel	4.53
19.75	10.7	Nedbank	11.75
21.5	13.75	OK Bazaars	35
3.80	1.5	Protea Hldgs	2
28.25	20	Rembrandt	27.25
16.75	12.1	Rennies	14.25
35.8	12.65	Rust Plat	14.9
9.5	6.6	Sage Hldgs	7.2
7.8	6.2	SA Brews	6.5
26.75	17.2	Smith (C.G.)	18.7
33.00	8	Tongaat Hulett	8.8
6.90	4.9	Unisec	5.00

NOTES.—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

WORLD STOCK MARKETS

OVER-THE-COUNTER

Continued from Page 18

Indices

** Saturday August 25. Japan Nikkei-Dow 10,563.66. TSE 814.74.
Base values of all indices are 100 except Australia All Ordinary and Metals—500: NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Ral. Purina	3,058,200	28¾	+ ⅛	Mobil	853,100	28⅝	—
Ohio Ed.	2,083,600	11⅞	—	Balt. Gas	852,300	34⅜	− ⅛
Fin. Cp. Am.	1,321,000	5⅞	− ¼	Carnation	782,000	75½	+1⅞
Exxon	904,300	43	− ⅛	Hewlett - Pack.	712,000	39¾	+2¾
Ramada Inns	856,400	7⅞	+ ⅛	Xerox	667,100	38½xd	−1

BASE LENDING RATES

A.B.N. Bank	10½%	■ Hill Samuel	§10½%
Allied Irish Bank	10½%	C. Hoare & Co.	†10½%
Amro Bank	10½%	Hongkong & Shanghai	10½%
Henry Ansbacher	10½%	Kingsnorth Trust Ltd.	10 %
Armco Trust Ltd.	11 %	Knowsley & Co. Ltd.	11 %
Associates Cap. Corp.	10½%	Lloyds Bank	10½%
Banco de Bilbao	10½%	Mallinhall Limited	10½%
Bank Hapoalim	10½%	Edward Manson & Co.	11½%
BCCI	10½%	Meghraj and Sons Ltd.	10½%
Bank of Ireland	10½%	Midland Bank	10½%
Bank of Cyprus	10½%	■ Morgan Grenfell	10½%
Bank of India	10½%	National Bk. of Kuwait	10½%
Bank of Scotland	10½%	National Girobank	10½%
Banque Belge Ltd.	10½%	National Westminster	10½%
Barclays Bank	10½%	Norwich Gen. Tst.	10½%
Beneficial Trust Ltd.	11½%	People's Tst. & Sv. Ltd.	12 %
Brit. Bank of Mid. East	10½%	R. Raphael & Sons	10½%
■ Brown Shipley	10½%	P. S. Refson & Co.	10½%
CL Bank Nederland	10½%	Roxburghe Guarantee	11½%
Canada Permn't Trust	10½%	Royal Bk. of Scotland	10½%
Cayzer Ltd.	10½%	Royal Trust Co. Canada	10½%
Cedar Holdings	11 %	■ J Henry Schroder Wagg	10½%
■ Charterhouse Japhet	10½%	Standard Chartered	‖10½%
Choulartons	11½%	Trade Dev. Bank	10½%
Citibank NA	10½%	TCB	10½%
Citibank Savings	¶12 %	Trustee Savings Bank	10½%
Clydesdale Bank	10½%	United Bank of Kuwait	10½%
C. E. Coates & Co. Ltd.	11½%	United Mizrahi Bank	10½%
Comm. Bk. N. East	10½%	Volkskas Limited	10½%
Consolidated Credits	10½%	Westpac Banking Corp.	10½%
Co-operative Bank	*10½%	Whiteaway Laidlaw	11 %
The Cyprus Popular Bk	10½%	Williams & Glyn's	10½%
Dunbar & Co. Ltd.	10½%	Wintrust Secs. Ltd.	10½%
Duncan Lawrie	10½%	Yorkshire Bank	10½%
E. T. Trust	11 %		
Exeter Trust Ltd.	11 %		
First Nat. Fin. Corp.	13 %		
First Nat. Secs. Ltd.	12 %		
■ Robert Fleming & Co.	10½%		
Robert Fraser	11 %		
Grindlays Bank	‡10½%		
■ Guinness Mahon	10½%		
■ Hambros Bank	10½%		
Heritable & Gen. Trust	10½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 7.25%. 1-month 8.00%. Fixed rate 12 months £2,500 9.75% £10,000. 12 months 10.00%.
† 7 day deposits on sums of under £10,000 7¼%. £10,000 up to £50,000 8%. £50,000 and over 8¼%.
‡ Call deposits £1,000 and over 7¼%.
‖ 21-day deposits over £1,000 8½%.
§ Demand deposits 7¼%.
¶ Mortgage base rate.

Contracts & Tenders

S. R.

SECRETARIA DE ESTADO DO TURISMO

INSPECÇÃO-GERAL DE JOGOS

ANNOUNCEMENT

CALL TO TENDER FOR THE CONCESSION TO OPERATE GAMES OF CHANCE IN THE ESTORIL GAMING AREA OF PORTUGAL

1. In accordance with Paragraph 1, Article 1 of Decreto Regulamentar nr. 56/84 of 9th August 1984 we do hereby announce a call to tender within sixty days terminating on 22nd October 1984 for the 19-year concession to operate games of chance in the Estoril gaming zone starting on 1st January 1987 on the conditions referred to in the above-mentioned decree as well as in Decree-Law nr. 48 912 of 18th March 1969 and Decree-Law nr. 274/84 of 9th August 1984.

2. The bids, which must comply with the requirements laid down in the above-mentioned Decreto Regulamentar nr. 56/84, shall be submitted to the attention of His Excellency the Minister of Trade and Tourism and shall be sent by registered mail through the Correios e Telecomunicações de Portugal (C.T.T.) in a double envelope: the inner envelope, which shall be closed and sealed with sealing-wax, shall contain only the bid as such and the bidder's name and address shall be clearly indicated on the outside of it; the outer envelope, which shall also be closed and sealed with sealing wax, shall be addressed to the Inspecção-Geral de Jogos at Avenida Dom Carlos, I, nr, 146, 1°, Dt°, 1200 Lisbon, Portugal, indicating the tender to which it refers. The outer envelope must be large enough to hold the aforesaid inner envelope containing the bid as well as all of the documents mentioned in sub-paragraphs (a) to (d) of paragraph 1 of article 8 of the said Decreto Regulamentar nr. 56/84 of the 9th August 1984 without any risk of damaging the contents when the bids are opened.

3. Any queries may be addressed to the aforesaid Inspecção-Geral de Jogos who will also issue receipts for any deposits made in accordance with Sub-paragraph(c), Paragraph 1 of Article 8 of the above-mentioned Decreto Regulamentar.

The Inspeccao-Geral de Jogos will also provide bidders on request with photocopies of those parts of the study entitled "Estudo de Condições Associadas á Concessão da Actividade do Jogo na Zono do Estoril" (Study of conditions Relating to Gambling Activity in the Estoril Gaming Zone) which may be of interest to them. This study was commissioned by the Government in order to help define the minimum conditions on which this call for tender was to be based.

It must be stressed, however, that this is merely a feasibility study based on historical data made available to the authors and that in no circumstances shall the future concessionaire be entitled to invoke its provisions should they prove to be inaccurate.

4. The bids will be opened at a public ceremony at 4p.m. on the 25th October 1984 at the offices of the Inspecção-Geral de Jogos mentioned above, for the purpose of determining which of the bidders have properly complied with the conditions laid down in this call to tender.

5. The envelopes containing the bids as such which have been submitted by all of the bidders not excluded from the tender will be opened at 4p.m. on the 9th November 1984 also at the Inspecção-Geral de Jogos.

Inspecção-Geral de Jogos, 10th August 1984

THE INSPECTOR-GENERAL
A. M. E. da Silva Ferreira

REPUBLIC OF BURUNDI

MINISTRY OF COMMERCE AND INDUSTRY
P.O. BOX 492 BUJUMBURA

The Minister of Commerce and Industry intends to call an International Tender for manufacturers or assemblers of agricultural equipment for the delivery of rolling stock and equipment and invites them to have themselves registered in case they wish to participate in the tender which will be called shortly. The delivery contract comprises the supply of:

—Rolling stock and equipment for land clearing, field preparation, maintenance of cane fields, cane transport, maintenance of irrigation, drainage and road systems etc., such as: bulldozers, excavators, levelling machinery, crawlers and wheeled tractors, etc.
—Vehicles for personnel and goods transport.

FINANCING—The delivery of equipment and materials will be financed by the African Development Bank (AFDB).

PARTICIPATION IN THE PRE-SELECTION—Interested enterprises shall have to apply to the General Manager of the Moso Sugar Company (Sosumo), P.O. Box 835, Bujumbura, Burundi, telephone 6576, telex BDI 35, prior to the 19th of October 1984.

Candidates shall have to submit, together with this application, qualification documents and references to satisfy required conditions. Submission by telex will be acceptable but should be confirmed by registered letter.

QUALIFICATION DOCUMENTS OF CANDIDATES—Documents of the candidates comprising all required information such as:
—A statement indicating the intention of the applicant and specifying names, first names and title, place of residence and nationality of applicant;
—A certificate of nationality in conformity with valid regulations and in use in applicant's country;
—Technical references in the form of a summary indicating places, dates, nature and importance of deliveries made or having participated in, with detailed account of his contribution and clients;
—Financial references in the form of a bank statement related to the solvency of applicant;
—Names and addresses of representatives in Burundi, if any;
—Details concerning equipment and other deliveries of the manufacturer already sold in Burundi and since when;
—Facilities offered for after-sales services, in particular availability of spare parts; expertise from manufacturer's workshops, facilities offered in Burundi for repair/workshop of the representative, etc.

PROCEDURE OF INVITATION TO PARTICIPATE—A letter of invitation to participate in the limited tender procedure shall be addressed to selected candidates. This invitation confirms the acceptability of the candidate and must indicate the conditions of the awarding of the tender documents.

FINAL REGISTRATION—Invited candidates must, if they maintain their intention to participate, confirm their candidacy by registered mail, addressed to the General Manager of Sosumo, P.O. Box 835, Bujumbura, Burundi, in the manner mentioned in the invitation letter. Only the invited candidates who have confirmed their intention to participate in the tender will be considered finally registered for the participation in the selected tender.

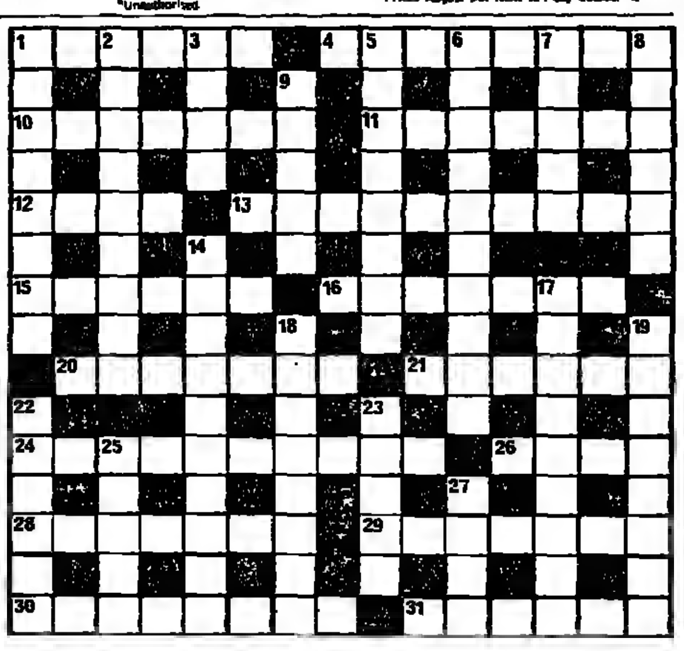
The enterprises who have already submitted documents following earlier tender calls for this project need to resubmit their particulars.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,507



ACROSS

1 It makes a place look like a pigsty (6)
4 Settler in Panama? (8)
10 Importance of tidying jumble (7)
11 Examine after an attack—expected to survive (7)
12 What dogs do around trees (4)
13 German leader has the opportunity to turn back (10)
15 Highly bred? (6)
16 Anticipate charge for concealing minerals (7)
20 A stye isn't a pretty sight (7)
21 He gets the game off to a flying start (6)
24 See 7 down
26 Help comes from Elizabeth (4)
28 Duplicate parcel I made up (7)
29 Sack for someone who collects money (7)
30 Get up late? (8)
31 A shipwreck holds nothing for her (6)

DOWN

1 Hen or beetle (8)
2 Presumably it shouldn't have the lion's share of the bed (5, 4)
3 It's bad to be overthrown (4)
5 Switch positions from time to time (3, 3, 2)
6 Honestly devoid of cant (2, 3, 5)
7 and 24 across: The best of friends (5, 10)
8 Private coaches? (6)
9 At the end of lunch they turn to port (5)
14 A novel creed? (10)
17 Found to be less habit-forming (9)
18 Angry about dress getting wet (8)
19 A report I put out in the Transvaal (8)
22 Kept a record that's scratched (6)
23 Criticise an innings (5)
25 Isn't happy adapting poems (5)
27 The capital's very big, see! (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

Special Acc.	10.50	11.02	Mth	Call
Over £10,000	10.75	11.30	Mth	Call

NOTES.—Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. Z Previous day's price. * Guernsey gross. ◊ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊖ Yield column shows annualised rates of NAV increase.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BEERS, WINES—Cont.

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Oct	Apr	Marley	74xd	13.8	†5.2	2.5	6.2	8.3
Feb.	Oct.	Marling Ind 10p	54½	16.7	1.3	ϕ	3.4	ϕ
Dec	June	Marshall L'xy. 'A'	40	30.4	1.2	3.6	4.3	(7.1)
Jan.	July	Marshall's Univ	46	1'82	H1.75	—	5.4	13.8
Nov	May	Martin-Black	224	9'79	—	—	—	—
—		Mathesons 7¾%	195	30.6	Q7¾%	2.3	18.2	—
Jan.	June	Metal Box £1	350	18.6	15.0	3.0	6.1	6.0
Nov.	June	Metal Closures	174	26.3	6.3	2.3	5.2	(9.6)
—		Metal Sciences 2½p	16	—	—	—	—	—
April	Dec.	Metamec Jentique	11	12.12	Q0.1	—	—	—
July	Jan.	Midland Marts	92	14.5	4.0	1.8	6.2	11.6
Jan.	May	Mitchell Cotts	58	12.1	3.62	1.0	8.9	(15.4)
July	Dec.	Moben Grp 1p	15	9.4	0.5	2.5	4.8	(9.5)
Jan.	July	Morgan Crucible	162	30.4	7.5	1.2	6.6	(16.4)
May		Morris (W) Fine Arts	18	—	bg0.25	4.8	2.0	16.5
Jan.	Aug.	Moss (Robt.) 10p	93	4.6	2.5	2.9	5.8	11.3
May	Nov.	NMW Computers	275	9.4	6.0	3.0	3.1	15.3
Mar.	Sept.	Nash Inds.	50xd	13.8	4.0	2.2	11.4	5.8
Oct.	April	Neill & Spencer 10p	36	3'81	—	—	—	15.5
Jan	July	Newman Industs.	21	12'79	—	—	—	(11.8)
—		Do. 10pc Cn. Cnv. Pf.	20	18.6	10%	—	7.1	—
April	Oct.	Norton	50	12.12	1.0	2.0	2.9	17.6
Jan.	Aug.	Norcros	168	16.7	7.5	2.4	6.7	8.4
Oct.	April	Nu-Swift 5p	65	5.9	—	—	—	12.7
Feb.	Aug.	Oakwood Grp.	65	30.1	‡d6.5	—	‡	—
Jan.	June	Office & Elect.	165	4.6	7.5	2.0	6.6	7.5
May	Nov.	Oriflame Int. SA	775	26.3	Q53c	2.2	5.3	8.6
Jan.	June	Overstone 12½c	30	14.11	Q4.5c	2.2	7.2	6.3
May	Nov.	Ozalid Fin. Cv.	£134	9.4	Q9%	—	(6.8)	—
—		PCT Grp 10p	155	4.6	bg4.8	ϕ	4.3	ϕ
—		PLM 'B' Sk 25	612	—	Q20%	—	3.8	8.1
—		Pacific Sales 10p	45	—	b2.4	2.2	7.6	(6.8)
April	Oct.	Parker Knoll 'A'	150	12.3	8.5	3.0	8.1	5.6
Feb.	Aug.	Pauls	208	2.7	8.5	2.8	5.8	7.6
June	Nov.	Pearson	575	30.4	14.0	2.7	3.5	13.2
—		Peek Holdings	22	—	—	—	—	—
Mar.	Oct.	Peerless	99	27.2	6.5	ϕ	9.5	ϕ
June	Nov.	Pentland 10p	132	14.5	†h1.74	4.1	1.9	14.0

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
—		Nimslo Int 20c	11	—	—	—	—	—
Jan.	Sept.	Norton Opax 10p	123xd	30.7	Gd3.0	2.6		
July		Owners Abroad	15¼	9.4	0.75	6.1		
June	Nov.	Photax (Lon.)	46	4'82	—	—		
—		P'dilly Radio NV 5p	28xd	13.8	b1.88	1.0		
December		Pineapple Dnc St 10p	75	14.11	d1.5	4.0		
Sept.	Apr.	Pleasurama 5p	317	27.2	6.5	4.7		
—		Pres Entertain 10p	16	—	bg0.4	7.0		
Feb-July		Radio City 'A' NV	75	18.6	5.6	1.9		
—		Radio Clyde N/V	55	4.6	3.0	1.4		
July	Jan.	Riley Leisure 10p	57	9.4	4.2	2.4		
Apr.	Nov.	Saga Hols. 20p	102	27.2	†3.75	1.6		
April		Samuelson Grp £1	370	27.2	d12.0	2.7		
—		Sangers Photo 10p	20	—	bg1.25	1.8		
Dec	May	Scott. TV 'A' 10p	158	9.4	8.1	2.9		
		SeaCo Inc $0.125	296	31.1	—	—		
—		SelecTV 10p	18	—	—	—		
—		Spectrum 5p	125	—	b2.0	3.5		
May	Nov.	TSW 5p	30	9.4	1.2	2.2		
March		TVS N/Vtg 10p	148	2.7	†2.0	5.5		
—		Television Svcs 10p	26	2.7	g0.2	3.7		
—		Tottenham Hotspur	68	—	d2.3	1.6		
Oct	Apr.	Trid'nt TV 'A' 10p	155	10.6	†5.5	1.0		
—		21st Century Dist.	105	—	—	—		
Dec		Tyne Tees TV 'A' £1	155	4.6	8.25	2.4		
Jan	July	Ulster TV N/V 'A'	78	30.4	h4.0	2.5		
April	Sept.	Webb (Jos.) 5p	21½xd	13.8	d0.51	ϕ		
Apr.	Nov.	Zetters 5p	98	27.2	†3.1	3.0		

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
—		BL 50p	36	—	—	—		
Nov	June	Coleman Milne 10p	60	30.4	ϕ1.7	2.8		
Mr Jn Sp Dc		Gen. Mts. Units	227	10.2	Q12c	—		
May	Nov.	Honda Motor Y50	436	25.5	Q23%	8.6		
Jan	Oct.	Lotus Car 10p	56	11'81	—	—		

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

MINES—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Central African							
Jan	June	Falcon 250c	145	14.5	Q100c	ϕ	40.2
Nov.	May	Wankie Col. Z$1	12½	25.4	—	—	—
October		Zam.Cpr.SBD0.24	16¼	9'80	—	—	—
Australians							
—		ACM 50c	27	—	—	—	—
—		Allstate Expl'n NL	17	—	—	—	—
—		Asia Oil & Minerals	4½	—	—	—	—
—		Aust. Hydrocarbons NL	17	—	ϕ	—	—
—		Australis Mng NL	18½	—	—	—	—
—		Balmoral Res.	29	—	—	—	—
—		Black Hill Mins	23	—	—	—	—
December		Bond Corp	85	—	Q10c	0.7	7.7
Nov.	Apr.	Bougainville 1 Kina	114	11.3	Q16.4c	1.2	9.4
May	Nov.	CBA $2	340	11.3	Q12c	1.5	2.3
—		Carr Boyd 20c	61	—	—	—	—
—		Central Kalgoorlie	25	—	—	—	—
—		Central Pacific	28	—	—	—	—
—		Cons Gld Mn Areas NL	3	—	—	—	—

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

OPTIONS — 3-month call rates

Industrials	p				
Allied-Lyons	35	Hawker Sidd	38	Vickers	14
BOC Grp.	27	Hse of Fraser	26	Woolworth Hldg	58
BSR	26	ICI	42		
Babcock	27	'Imps'	12	**Property**	
Barclays Bank	45	ICL	7½	Brit Land	11
Beecham	32	Ladbroke	23	Cap Counties	16
Blue Circle	40	Legal & Gen	45	Land Secs	25
Boots	16	Lex Service	40	MEPC	25
Bowaters	25	Lloyds Bank	50	Peachey	17
Brit Aerospace	20	'Lofs'	3	Samuel Props.	12
BAT	15	Lucas Inds	18	Sterling Guar.	4
Brown (J.)	3	'Mams'	14		
Burton Ord	22	Marks & Spcr	20	**Oils**	
Cadburys	11	Midland Bk	56	Brist. Oil & Min	9
Comm Union	16	NEI	10	Brit Petroleum	35
Courtaulds	11	Nat West Bk	60	Burmah Oil	17
Debenhams	14	P & O Dfd	25	Charterhall	9
Distillers	22	Plessey	20	Premier	6
Dunlop	5	Racal Elect	18	Shell	55
FNFC	6¼	RHM	8	Tricentrol	20
Gen Accident	42	Rank Org Ord	24	Ultramar	60
Gen Electric	16	Reed Intnl	48		
Glaxo	70	Sears	8	**Mines**	
Grand Met	30	TI	22		
GUS 'A'	55	Tesco	16	Charter Cons	24
Guardian	50	Thorn EMI	55	Cons Gold	58
GKN	20	Trust Houses	18	Lonrho	12
Hanson Tst	17	Turner Newall	10	Rio T Zinc	60
		Unilever	75		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 14

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £750 per annum for each security.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Still lacking direction

BY COLIN MILLHAM

The dollar and sterling were generally firm in quiet foreign exchange trading last week. A national holiday in the U.S. today meant the market had hardly picked up from the UK summer bank holiday last Monday before it was running down again.

A reluctance to go short of the dollar over the long Labor Day weekend helped to support the U.S. currency, while the only figure to produce any major surprise last week was the U.S. July trade deficit. This rose to a record $14.06bn. but failed to produce much reaction on the exchanges, despite the fact that the general level of forecasts predicted a deficit little different from the June figure of $8.9bn.

Also on Wednesday, when the trade figures were published, it was announced that July U.S. leading indicators fell by 0.8 per cent. This tends to confirm recent signs of a slowdown in the very fast pace of economic growth, but both the trade figures and leading indicators failed to move the dollar.

The leading indicators figure was not very different from market expectations, and there is some anticipation that the August figure will be much stronger.

When the dollar proved resilient to these statistics it prompted increased support for the currency, while interest rates also tended to favour the dollar.

Some observers chose to interpret the minutes of the July Federal Open Market Committee meeting as indicating a slight tightening of U.S. monetary policy, although others continue to believe the Federal Reserve's monetary stance is neutral, with the high level of overnight money in New York caused by the liquidity problems surrounding Continental Illinois.

At the beginning of August the dollar touched the highest level for 11½ years against the D-mark, and record levels against several other currencies. It tended to finish the month drifting rather aimlessly, but still supported by the general level of interest rates.

Sterling held up well to the concern about the strikes in the docks and mines. It gained 20 points against the dollar on the week, while the trade-weighted index of 78.1 on Friday was down only 0.1 from the beginning of August.

£ in New York

	Aug. 31	Prev. close
Spot	$1.3080-3090	$1.3090-3100
1 month	0.11-0.12 dis	0.11-0.15 dis
3 months	0.44-0.46 dis	0.44-0.47 dis
12 months	2.40-2.50 dis	2.35-2.45 dis

Forward premiums and discounts apply to the U.S. dollar.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.3085	1.3096	1.3137	1.3194	1.3328
D-Mark	3.7775	3.7605	3.7309	3.6849	3.6240
French Franc	11.5825	11.5850	11.6077	11.5654	11.8242
Swiss Franc	3.1500	3.1332	3.1045	3.0642	2.9861
Japanese Yen	316.25	315.10	312.99	310.10	304.33

THE POUND SPOT AND FORWARD

Aug 31	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.3075-1.3110	1.3080-1.3090	0.08-0.13c dis	−1.01	0.43-0.48dis	−1.39
Canada	1.6950-1.7125	1.6960-1.6970	0.18-0.22c dis	−1.41	0.65-0.73dis	−1.63
Nethlnd.	4.25⅝-4.27⅜	4.25½-4.26½	1⅞-1½c pm	4.88	4¾-4½ pm	4.27
Belgium	76.00-76.35	76.10-76.20	par-6c dis	−0.47	3-14 dis	−0.45
Denmark	10.75-10.80	10.75¾-10.76¾	½-1½ore dis	−0.78	2⅞-0⅞ dis	−0.01
Ireland	1.2240-1.2277	1.2240-1.2250	0.12-0.29p dis	−2.01	0.63-0.86dis	−2.43
W. Ger	3.77¼-3.79¼	3.77½-3.78½	1⅞-1¾pf pm	4.76	4⅞-4½ pm	4.97
Portugal	197.30-198.70	197.40-198.30	235-635c dis	−26.38	715-1710dis	−24.51
Spain	215.40-216.30	215.40-215.60	50-70c dis	−0.34	175-215 dis	−3.62
Italy	2,335-2,345½	2,337-2,338	4-7 lire dis	−2.82	20-23 dis	−3.68
Norway	10.83-10.88	10.85-10.86	1½-2½ore dis	−2.26	6⅞-7⅞ dis	−2.52
France	11.57-11.62	11.57½-11.58½	¼ pm-¼c dis	−0.26	1¼-2 dis	−0.89
Sweden	10.87-10.91	10.89-10.90	2⅛-2¾ore dis	−2.62	7¼-7¾ dis	−2.78
Japan	315½-317½	315½-316½	1.31 [illegible]	[illegible]	0.40-0.25 pm	3.47
Austria	26.50-26.76	26.50-26.65	[illegible]	3.96	25⅞-21¾ pm	3.53
Switz.	3.14½-3.12	3.14½-3.15½	[illegible]	8.48	4⅛-4⅞ pm	5.78

Belgian rate is for convertible francs. Financial franc 76.90-76.95. Six-month forward dollar 1.06-1.11c dis. 12-month 2.35-2.50c dis.

BANK OF ENGLAND TREASURY BILL TENDER

	Aug. 31	Aug. 24		Aug. 31	Aug. 24
Bills on offer	£100m	£100m	Top Accepted rate of Discount	9.9673%	9.9874%
Total of applications	£415m	£444.13m	Average rate of Discount	9.8324%	9.6557%
Total allocated	£100m	£100m	Average yield	10.18%	10.01%
Minimum accepted bid	£97.515	£97.51	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	3%	[illegible]			

THE DOLLAR SPOT AND FORWARD

Aug 31	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.3075-1.3110	1.3080-1.3090	0.08-0.13c dis	−1.01	0.43-0.48dis	−1.39
Ireland†	1.0665-1.0686	1.0681-1.0688	0.14-0.04c pm	1.07	0.36-0.25 pm	1.03
Canada	1.2960-1.2985	1.2963-1.2968	0.03-0.05c dis	−0.37	0.08-0.12dis	−0.31
Nethlnd.	3.2540-3.2560	3.2540-3.2560	1.55-1.52c pm	5.88	4.58-4.55 pm	5.60
Belgium	58.15-58.21	58.15-58.25	4-2c pm	0.62	15-11 pm	0.89
Denmark	10.50¾-10.52½	10.50¾-10.50¾	1.10-0.80ore pm	1.04	2.50-2.40 pm	1.01
W. Ger.	2.8815-2.8845	2.8885-2.8895	1.51-1.50pf pm	6.26	4.55-4.50 pm	6.26
Portugal	150¾-151¼	151-151¼	170-470c dis	−25.41	600-1250dis	−23.16
Spain	164.75-164.95	164.75-164.95	30-60c dis	−0.30	1.30-2.70dis	−1.18
Italy	1,785¾-1,791¾	1,785¾-1,786¼	2.65-3.15 lire dis	−1.95	10-11 dis	−2.34
Norway	8.29-8.29¾	8.29¼-8.29¾	0.65-1.15ore dis	−1.30	2.20-2.70dis	−1.18
France	8.8480-8.8810	8.8620-8.8670	0.60-0.50c pm	0.74	1.25-0.85 pm	0.50
Sweden	8.30¾-8.33¼	8.31¾-8.32¼	0.90-1.40ore dis	−1.66	2.85-3.15dis	−1.23
Japan	241.60-241.90	241.80-241.90	1.10-1.08y pm	5.36	3.37-3.32 pm	5.54
Austria	20.28-20.31	20.28-20.31	0.70-8.20gro pm	5.00	25.76-23.75pm	4.88
Switz.	2.4005-2.4125	2.4096-2.4105	1.49-1.43c pm	7.30	4.26-4.20 pm	7.05

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 56.70-56.80.

OTHER CURRENCIES

Aug. 31	£	$		£ Note Rates
Argentina Peso	96.65-96.81	75.91-75.98	Austria	26.50-26.80
Australia Dollar	1.5410-1.5430	1.1775-1.1780	Belgium	78.55-77.50
Brazil Cruzeiro	2,746-2,761	2,097-2,107	Denmark	13.75-13.87
Finland Markka	7.9069-7.9421	6.0610-6.0630	France	11.57-11.66
Greek Drachma	161.38-151.78	116.60-115.90	Germany	3.77-3.81
Hong Kong Dollar	10.2547-10.2587	7.8400-7.8430	Italy	2535-2570
Iran Rial	118.15*	90.85*	Japan	315-320
Kuwait Dinar(KD)	0.38660-0.38725	0.29650-0.29660	Netherlands	4.25¼-4.09¼
Luxembourg Fr.	76.10-76.20	58.15-58.80	Norway	10.82-10.83
Malaysia Dollar	3.0480-3.0540	2.5305-2.5555	Portugal	183-206
New Zealand Dlr.	2.6156-2.6205	1.9980-2.0080	Spain	011-220¾
Saudi Arab. Riyal	4.6205-4.6260	3.5500-3.5310	Sweden	10.85-10.68
Singapore Dollar	2.8190-2.8250	2.1655-2.1570	Switzerland	3.14¼-3.17¼
Sth African Rand	2.0545-2.0670	1.0700-1.5720	United States	1.30-1.38
U.A.E. Dirham	4.8065-4.8125	3.6700-3.6750	Yugoslavia	250-245

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu August 31	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	45.1667	+0.59	+0.59	±1.5447
Danish Krone	8.14104	8.16603	+0.17	+0.17	±1.6426
German D-Mark	2.24184	2.23867	−0.15	−0.15	±1.0842
French Franc	6.87456	6.86992	−0.07	−0.07	±1.4052
Dutch Guilder	2.52595	2.52566	−0.01	−0.01	±1.4964
Irish Punt	0.72569	0.725526	−0.02	−0.02	±1.6698
Italian Lira	1403.49	1385.65	−1.27	−1.27	±4.1505

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

CURRENCY MOVEMENTS

Aug. 31	Bank of England Index	Morgan Guaranty Changes%
Sterling	78.1	−10.4
U.S. dollar	156.3	+05.8
Canadian dollar	90.2	−8.8
Austrian schilling	113.7	+3.7
Belgian franc	90.0	−10.4
Danish Kroner	77.4	−6.4
Deutsche mark	163.8	+7.2
Swiss franc	148.7	+6.3
Guilder	113.1	+3.7
French franc	65.3	−16.7
Lira	47.0	−13.8
Yen	165.3	+11.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Aug. 31	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.775659	0.591497
U.S. $	8	1.01663	0.774251
Canadian $	12.39	*	1.00585
Austria Sch.	4½	20.6305	15.7297
Belgian Fr.	11	59.2488	45.1667
Danish Kr.	7	10.6975	8.15503
D'mark	4½	2.93501	2.23857
Guilder	5	3.31320	2.52566
French Fr.	9½	9.01036	6.86992
Lira	15½	1818.90	1385.65
Yen	5	245.313	187.245
Norwgn Kr.	8	8.43153	6.42470
Spanish Pta.	¼	167.641	127.697
Swedish Kr.	9	8.45633	6.44481
Swiss Fr.	4	2.44581	1.86641
Greek Dr'ch.	20½	117.604	89.5187
Irish Punt	10¾	0.951901	0.725506

* C$/SDR rate for Aug 30: 1.32106.

EXCHANGE CROSS RATES

Aug. 31	Pound St'rling	U.S. Dollar	Deutsche m'k	J'panese Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.309	3.778	318.3	11.58	3.160	4.260	2338.	1.687	70.15
U.S. Dollar	0.764	1.	2.889	241.6	8.865	8.410	3.265	1786.	1.307	08.20
Deutschemark	0.265	0.346	1.	83.72	3.066	0.834	1.128	618.8	0.449	20.18
Japanese Yen 1,000	3.162	4.138	11.94	1000.	36.88	8.660	13.47	7381.	6.364	240.8
French Franc 10	0.863	1.130	3.261	273.0	10.	2.730	3.678	2018.	1.465	65.73
Swiss Franc	0.317	0.416	1.199	100.4	3.677	1.	1.352	748.1	0.536	24.17
Dutch Guilder	0.235	0.307	0.887	74.24	2.719	0.738	1.	548.7	0.388	17.88
Italian Lira 1,000	0.428	0.560	1.618	135.3	4.956	1.348	1.826	1000.	0.708	38.68
Canadian Dollar	0.589	0.771	2.227	186.4	6.827	1.857	2.011	1378	1.	44.89
Belgian Franc 100	1.313	1.718	4.861	416.3	16.21	4.137	5.594	3070.	2.288	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Aug. 31	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	11-11⅛	11½-11⅝	11½-18	0⅛-5⅛	1¼-1¾	0¾-5⅛	10⅝-10⅞	13¼-14¼	11-11½	11½-11⅝	6¼-6¼	10¾-11¼
7 days' notice	10⅞-11	11⅛-11⅛	11¾-12¼	6-6⅛	2⅛-8¾	5⅛-5⅛	10⅝-10⅞	10⅝-14⅜	11-11½	11⅛-11⅜	6⅛-6⅞	11⅛-11⅜
Month	10½-11	11¾-11⅞	18⅛-12⅝	6⅛-6⅛	4⅛-4⅜	6⅛-5⅛	10⅛-11⅛	13¾-14¼	11-11⅛	11⅛-11⅜	6⅛-6⅛	11⅛-11⅝
Three months	10⅛-10⅞	11⅞-18	18⅛-18⅜	6¼-6⅜	4⅛-4⅜	6½-5⅝	11⅛-11⅜	14⅛-14⅝	10⅞-11⅜	11⅛-11⅜	6⅞-6⅞	11¼-11¾
Six months	10⅛-10¾	18⅛-12⅜	12⅜-18⅛	6⅛-6¾	4⅜-4⅜	6⅞-6	11⅞-12⅛	18⅛-16¼	11-11⅛	11¼-11⅜	6⅜-6⅞	11¼-12¼
One year	10¾-10⅞	18⅝-18¾	12⅝-18⅛	6⅛-6⅛	4⅞-5	6⅛-6⅛	18⅛-13	15⅝-10⅛	11⅛-10	11⅛-11⅝	6¼-6⅛	12-12⅛

Asian $ (closing rates in Singapore): Short-term 11⅝-11¾ per cent; seven days 11⅝-11⅝ per cent; one month 11⅝-11⅝ per cent; three months 11⅞-12 per cent; six months 12⅛-12¼ per cent; one year 12⅝-12⅝ per cent. Long-term Eurodollars: two years 13⅛-13⅜ per cent; three years 13¼-13½ per cent; four years 13⅜-13⅝ per cent; five years 13½-13¾ per cent nominal closing rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	88.34	88.35	88.32	88.34
Dec	87.87	87.89	87.85	87.86
March	87.50	87.51	87.50	87.51
June	87.25	87.27	87.23	87.27
Sept	87.03	—	—	87.04

Est. volume 963 (2,346)
Previous day's open int. 13,357 (13,117)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
Sept	89.63	89.68	89.63	89.63
Dec	89.80	89.85	89.80	89.81
March	89.62	89.63	89.62	89.60
June	89.42	89.42	89.42	89.43

Est. volume 456 (865)
Previous day's open int. 7,825 (6,070)
* £500,000 points of 100%

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Sept	105-30	106-00	105-12	105-17
Dec	105-09	105-14	104-24	104-26
March	104-25	—	—	104-15
June	104-12	—	—	103-31
Sept	103-27	—	—	103-21

Est. volume 870 (1,802)

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.3095	1.3117	1.3070	1.3105
Dec	1.3145	1.3156	1.3145	1.3151
March	1.3210	1.3225	1.3210	1.3215

Est. volume 220 (168)
Previous day's open int. 6,638 (6,483)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	0.3463	—	—	0.3472
Dec	0.3523	—	—	0.3527

Est. volume nil (25)
Previous day's open int. 323 (313)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Sept	0.4162	—	—	0.4175
Dec	0.4236	0.4241	0.4236	0.4247

Est. volume 256 (nil)
Previous day's open int. 1,381 (1,381)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4145	—	—	0.4151
Dec	0.4203	—	—	0.4209

Est. volume nil (nil)
Previous day's open int. 276 (276)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Sept	110.00	110.50	109.55	109.55
Dec	110.10	110.10	109.95	109.70
March	110.10	—	—	109.70

Est. volume 242 (523)
Previous day's open int. 1,004 (952)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	65-23	65-24	65-13	65-17
Dec	65-01	65-01	64-24	64-26
March	64-15	—	—	64-09

Est. volume 1,160 (633)
Previous day's open int. 1,725 (2,015)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	65-26	65-29	65-10	65-19
Dec	65-05	65-07	64-20	64-29
March	64-20	64-22	64-03	64-12
June	64-06	64-06	63-24	63-30
Sept	63-26	63-26	63-14	63-18
Dec	63-16	63-17	63-06	63-08
March	63-07	63-09	62-22	62-31
June	63-00	63-02	62-10	62-23
Sept	62-20	—	—	62-12
Dec	62-20	—	—	62-12
March	62-15	—	—	62-07

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
Sept	89.62	89.67	89.56	89.61
Dec	89.29	89.32	89.23	89.23
March	88.96	88.97	88.85	88.87
June	88.69	88.69	88.58	88.60
Sept	88.47	88.48	88.36	88.35
Dec	88.32	88.32	88.32	88.13
March	88.14	88.14	—	88.04
June	88.01	88.01	—	87.94

CERT. DEPOSIT (IMM) $1m points of 100%

	Close	High	Low	Prev
Sept	88.51	88.55	88.44	88.47
Dec	88.05	88.07	87.97	88.00
March	87.70	87.70	87.62	87.65
June	87.43	87.43	87.34	87.07

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev
Sept	88.08	88.12	88.02	88.05
Dec	87.61	87.65	87.55	87.57
March	87.27	87.28	87.19	87.22
June	86.99	87.00	86.91	86.93
Sept	86.75	86.78	86.68	86.69
Dec	86.53	86.53	86.53	86.48

STERLING (IMM) $ per £

	Close	High	Low	Prev
Sept	1.3075	1.3100	1.3070	1.3090
Dec	1.3085	1.3115	1.3075	1.3115
March	1.3140	1.3170	1.3135	1.3165
June	1.3205	1.3225	1.3200	1.3225
Sept	—	—	—	1.3255

GNMA (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	64-24	64-28	64-16	64-23
Dec	65-27	65-31	65-19	65-29
March	64-30	65-30	64-21	64-29
June	64-04	—	—	64-03
Sept	63-10	—	—	63-15
Dec	62-31	—	—	62-30
June	62-07	—	—	62-06

WEEKLY CHANGE IN WORLD INTEREST RATES

	Aug. 31	change		Aug. 31	change
LONDON			**NEW YORK**		
Base rates	10½	Unch'd	Prime rates	13	Unch'd
7 day Interbank	11	−⅛	Federal funds	11⅛	+⅛
3 mth Interbank	10⅛	−⅛	3 Mth. Treasury Bills	10.71	+0.28
Treasury Bill Tender	9.9324	−0.6251	6 Mth. Treasury Bills	10.73	+0.17
Band 1 Bills	10½	Unch'd	3 Mth. C D	11.60	+0.05
Band 2 Bills	10⅛	Unch'd	**FRANKFURT**		
Band 3 Bills	10¼	Unch'd	Lombard	5.50	Unch'd
3 Mth. Treasury Bills	9⅞	−⅛	One Mth. Interbank	5.735	−0.05
1 Mth. Bank Bills	10½	−⅛	Three month	5.875	Unch'd
3 Mth. Bank Bills	1 ⅛	−⅛	**PARIS**		
TOKYO			Intervention Rate	11¼	Unch'd
One month Bills	6.34375	+0.0625	One Mth. Interbank	11⅛	−⅛
Three month Bills	6.28125	Unch'd	Three month	11¼	+⅛
BRUSSELS			**MILAN**		
One month	11¼	Unch'd	One month	16⅛	Unch'd
Three month	11¼	Unch'd	Three month	18⅛	−⅛
AMSTERDAM			**DUBLIN**		
One month	6⅛	+⅛	One month	18⅞	+⅛
Three month	6⅛	−⅛	Three month	13⅛	Unc'hd

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. Band 4 bills 10⅛.

MONEY MARKETS

Rates ease despite unrest

Interest rates declined on the London money market last week, taking little notice of Britain's industrial turmoil. News that ports such as Felixstowe, Dover, Grimsby and Immingham were not joining in a national dock strike helped keep any note of panic out of the market, while the reports from Tilbury were, to say the least, confusing.

The TUC Congress meets in Brighton today, but until it becomes clear how much support the trade union movement will give to the striking miners rates are unlikely to show much movement.

The short end of the sterling interbank market was quite firm, reflecting one or two large money market credit shortages, but longer term rates fell, with the yield structure from two months to one year flat at around 10⅛ per cent.

August money supply figures are due to be published tomorrow, and the market expects another set of good figures after the fall of 1 per cent in sterling M3 in July. That fall prompted the cuts in clearing bank base rates seen last month, but there is considerable doubt about whether another reduction is likely in the immediate future.

Sterling is vulnerable to any worsening of the industrial situation, and all that dealers are prepared to hope at the moment is that rates can be held down at the present level. With very short-term rates hovering around 11 per cent there must be some pressure on base rates of 10½ per cent, but there is still a feeling that the authorities would not welcome another reversal so soon after getting rates down from 12 per cent.

The general situation as far as the market is concerned is confused. Domestic considerations may soon point towards another cut in base rates, but international events may prevent any such move.

U.S. interest rates are still very firm. The Federal funds rate was at 11⅛ per cent on Friday when the Federal Reserve intervened to inject liquidity into the New York banking system. Efforts earlier this year to move sterling rates down against the trend of U.S. levels proved only temporary, and there seems no reason to believe that another attempt would be successful, at least until the industrial situation is sorted out.

MONEY RATES

Aug. 31	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	3.60-5.53	10¾	1¼-8	0¾-6⅞	6.21675	16¼-16⅝	6.0	18⅜-12⅝
One month	5.65-5.80	11⅛-11⅛	4⅜-4½	6-6¼	6.54375	16⅛-16⅛	11⅛-11⅛	12¾-13
Two months	5.75-5.83	11⅛-11¼	—	—	—	—	—	18⅞-15⅛
Three months	5.80-5.96	11⅛-11⅛	4⅜-4¾	6⅛-6⅛	6.28128	18⅛-18¾	11⅛-11⅝	13-13¼
Six months	6.00-6.15	11⅛-11⅛	—	6⅛-6⅛	—	—	11⅛-11⅛	10⅛-15¾
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	11¼	—	6¾	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Aug. 31 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	2-11⅛	11	6-11¼	0-11	—	—	—	—	—
2 days notice	—	—	11	—	—	—	—	—	—	—
7 Days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	10⅞-11⅛	10⅞-11	10¾-11¼	10¾-10⅞	—	—	—	—	—
One month	11 10⅞	10⅞ 11	10⅞	11	10⅜-10⅛	10½	10⅛	10⅛	10⅛	11⅛
Two months	10¾ 10⅝	10⅛-10⅞	10⅞	11	10⅛-10⅜	10⅛	10⅛	10⅛	10⅛	10⅞
Three months	10⅛ 10⅛	10⅛-10⅛	10⅛	10⅛	10-10⅛	9⅞	9⅞	10⅛	10⅛	10⅞
Six months	10⅛ 10⅛	10⅛-10⅛	10⅛	10⅜	10⅜	—	—	10⅛	—	10⅞
Nine months	10⅛ 10⅛	10⅛-10⅛	10⅛	—	—	—	—	—	—	—
One year	10⅛ 10⅛	10⅛-10⅛	10⅛	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	11⅛-11⅛	—	11	11.55 11.65	9⅜-10	9⅞-10⅛
Two months	11⅛-10⅝	—	10¾	11.65 11.75	9⅛-10	9⅛-10⅛
Three months	10⅛-10⅜	—	10⅛	11.7-11.8	9⅛-10⅛	9⅛-10⅛
Six months	10⅛-10⅛	—	10⅛	11.95-12.05	9⅛-10⅛	9⅛-10⅛
Nine months	10⅛-10⅛	—	10⅛	12.1-12.2	—	—
One year	10⅛-10⅛	10⅛	10⅛	12.45-12.65	10⅛-10⅛	10⅛-10⅛
Two years	—	11⅛	—	—	—	—
Three years	—	11⅛	—	—	—	—
Four years	—	11⅛	—	—	—	—
Five years	—	11⅛	—	—	—	—

ECGD Fixed Rate Export Finance Scheme IV: Average Rate of Interest period July 4 to August 7 1984 (inclusive): 11.761 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 10½ per cent from August 1 1984. London and Scottish Clearing Bank Rates for lending 10½ per cent. London Deposit Rate for sums at seven days' notice 7¼-7½ per cent. Treasury Bills: Average tender rates of discount 9.9324 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 11 per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-12 months 11 per cent. Under £100,000 10½ per cent from August 15. Deposits held under Series 5 10¾ per cent. The rates for all deposits withdrawn for cash 7 per cent.

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING (11.00 a.m. August 31)

3 months U.S. dollars

bid 11⅞	offer 12

6 months U.S. dollars

bid 12⅛	offer 12¼

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4 pm)

Prime rate	13
Broker loan rate	12⅛-12⅞
Fed funds	11⅛
Fed funds at intervention	11⅛

Treasury Bills

One-month	10.47
Two-month	10.57
Three-month	10.60
Six-month	10.70
One-year	10.79

Treasury Bonds

Two-year	99⅝
Three-year	99⅝
Four-year	102⅛
Five-year	98⅞
Seven-year	99⅝
10-year	99⅛
20-year	100